Foreword

The world economy has not been in so much turmoil for many years. The year has started with signs of economic recovery worldwide but was then dampened by major economic crises in Greece and Italy and a few others. Fears of a second recession have emerged and many economists believe that we are already in a second recession- that will be even more severe than the first. In South Africa the approval of the Massmart and Wall Mart deal has led to mixed reaction with fears of large scale retrenchments and the closure of many smaller retailers the order of the day. This has led government to once again intervene in the workings of the market and asked for a re-evaluation of the approval of the deal. As in any country interventions of this sort by government does not bode well for building confidence in the market.

Consumer confidence worldwide has taken a severe hammering and there is a general scepticism in the market which is not helping the much needed economic recovery. Gold has continued to rise and reached highs never before reached – moving to over $1800 per ounce. The waves of unrest in north African countries and the toppling of governments in Egypt, Libya, and others also contributed to the movement towards gold as a safe haven. Add to this the fact that the USA is technically "bankrupt" and the serious stated of the world economy becomes more apparent.

Retailers worldwide are reporting that profits are under pressure and that growth has either stagnated or growth in real terms has not taken place. Many large retailers have either begun or completed the painful process of restructuring their business in order to become more cost effective and to survive. This has led to many closures of outlets as well as retrenchments.

All is however not gloom and doom. Some retailers have embarked on new innovative strategies and methods to market their products and to generate sales. The use of social media such as blogs, *Twitter*, *Facebook* and others have become more popular as promotion media especially to the younger generation. This has also led academics to think differently about their subjects and what they teach their marketing and retail students in a world that has changed dramatically and fast.

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Professor Michael Cant is the Head of Marketing and Retail Department at the University of South Africa (Unisa). In this position, his responsibility includes: the development of staff; course design; the development of new modules/courses and degrees; and liaison with the business community o ensure that all qualifications are in line with the specific needs of the business world. He acts as promoter for both Master's and Doctoral students. He is the chairperson of the Departmental Marketing Committee of Unisa, as well as a member of the Marketing Committee of the College of Economic and Management Sciences.

In 1999 a major retailer in Africa, *MassDiscounters*, sponsored a substantial amount of funds for the development of a BCom degree in Retail Management. This sponsorship has been utilised for research in the field of retailing, course development, and to fund the Chari in Retail Management f which Prof. Cant is the incumbent. He secured these funds largely due to the fact that he and his staff members had been able to assist MassDisounters, through the academic programmes offered b the Centre for Business Management, to train their employees and develop their own in-house programmes.

Unisa presented a merit award for research to Prof. Cant in 1998, and again in 2002. His research outputs include contract research and contributions to prescribed textbooks, either as editor or as an author. His research projects which deal with student perceptions of certain academic matters, their attitudes towards specific components for the curricula, their needs, and so on have been completed. He has also published a number of research articles in both local and international academic journals. Prof. Cant also services on the boards of the Journal of Retail and Consumer Services.

Trends and preferences of Internet participants: Differences between SNS users and non-users

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ABSTRACT

The staggering growth of online social networking and the potential of Social Networking Sites as marketing channels has become an issue of attention and interest by commercial organizations. This explorative study provides the basis for understanding the nature and behaviour of users of these sites. Based on a national sample, this paper investigates the demographics, profiles and behaviour of participants of Social Networking Sites in The Netherlands. The paper compares the online behaviour of users and non-users of SNS and reveals that the first category of networked citizens is much more active on most types of online activities. Furthermore the study identifies the profile of the average participant in online social networks, identifies preferences and reveals ways that online citizens are engaged with this particular form of social media. The findings provide a better understanding of the importance of the Social Networks for the digital citizen and present useful facts to marketers eager to integrate these media into their marketing approaches and strategies; they also present researchers of human behaviour with interesting insights on the role of the online social networks as platforms of social interaction and communication.

Keywords – Social Networking Sites, Trends and preferences of users, online marketing strategy

One of the important developments in the Internet domain over the last 5 years is the explosive growth of the Social Media; applications based on online publicly generated content (Constantinides, Lorenzo and Gomez-Borja, 2008). One type of Social Media namely the online social networks commonly known as Social Networking Sites (SNS) are today part of the everyday life for hundreds of millions of people worldwide and particularly of the young ones (Jones, 2002; Ellison, Steinfield and Lampe, 2007; Lenhatt & Madden, 2007; Subrahmanyam, Reich, Waechter and Espinoza, 2008). Online social networking is an area attracting the particular attention of marketers due to the enormous popularity of these sites and their potential as marketing communication and interaction channels (Constantinides et al., 2008)

SNS are web applications belonging to a large category of interactive online applications commonly known as Social Media (Kaplan & Haenlein, 2010). Like most other Social Media (blogs, online communities, online forums etc) the SNS are applications based on user generated content and allow the creation, editing, multiplication, sharing and dissemination of information. SNS also allow users to establish online social networks (Constantinides et al., 2008; On, Sisic, Ross, Simmering, Arseneault and Orr, 2009) and provide tools allowing users to find friends or acquaintances online. Users can also get in touch with other users based on their profile characteristics and individual preferences and build new relationships with persons with whom they share common interests. Next to one-to-one relationships SNS allow users to create special interest groups enabling interaction on interpersonal or intergroup level (Barker, 2009).

The purpose of online social networking is mostly social rather than professional: a recent report from ComScore Media Metrix (2010) [1] suggests that interaction through virtual social networks has become one of the most popular and engaging activities across the Web: In December 2009 nearly 4 out of 5 of the US Internet users visited a SNS. These activities now account for 11% of all time spend online in the US, making it one of the most popular online activities. SNS like Facebook (500 mil users), MySpace (130 mil users), Qzone (200 mil users) and Twitter (150 mil users) are leading examples of the thousands of online networks attracting hundreds of millions of users and serving a variety of needs of the wired public.

PURPOSE OF THE ARTICLE

The rate of adoption of the Social Media by the public but also by businesses is growing. In a report published in November 2010 eMarketer[2] estimates that 80% of the US businesses with more than 100 employees will use social media tools for marketing purposes in 2011; this percentage will increase to 88% in 2012 and similar trends are observed in many countries or territories. It is obvious that the social media and the SNS in particular have attracted the interest of business strategists and marketing practitioners.

Press articles, research papers and special journal issues around the subject are also increasing. Yet despite the growing interest of researchers in the use of social media applications as part of the Marketing strategy (Gómez, 1998; Ghauri, Lutz and Tesfom,2003; Constantinides & Fountain, 2008; Mangold & Faulds, 2009; Kim, Jeong and Lee, 2010) little academic attention has been so far placed on the nature and behaviour of the online SNS user. This article presents the finding of an explorative study aiming at providing a basic understanding of the social networking market by identifying the demographics and the specific ways people are using the SNS. The article also analyzes the differences between users and non-users of online social networks; specifically the study is examining the social networking user in The Netherlands looking to the total population of Internet users rather than only the SNS users or a specific market segment.

The purpose of this article is to obtain a first picture of the online activity of the online networked public when engaged in SNS-related activities as the basic step in the direction of understanding the behaviour of this category of consumers. The study addresses some basic issues of the online behaviour of SNS users by giving an answer to the following question: What are the distinctive profiles of SNS users in The Netherlands and what are their main behavioural characteristics? The findings provide useful insights in the demographics, interests, behaviour and motives of the online networked consumer and identify a number of future research directions. It also provides practitioners with basic but essential information as to the behaviour of networked Internet users, as starting point of engaging SNS as part of their marketing strategy.

PROBLEM INVESTIGATED: WEB 2.0 AND SOCIAL NETWORKING SITES

The term Web 2.0 was introduced by O'Reilly (2005) as the new stage in the Internet evolution referring to a collection of online applications sharing a number of common characteristics: "The Web as a platform, Harnessing of the Collective Intelligence, Data is the Next Intel Inside, End of the Software Release Cycle, Lightweight Programming Models, Rich User Experiences". The Web 2.0 has been defined in the literature in different ways (Needleman, 2007; Coyle, 2007; Anderson, 2007; Swisher, 2007; Craig, 2007; Birdsall, 2007). Constantinides & Fountain (2008) describe the Web 2.0 as an online interactive platform consisting of three components: The Application Types (i.e. five categories of Web 2.0 applications)[3], the Social Effects and the Enabling Technologies.

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[1] ComScore The 2009 U,S. Digital Year in Review, February 2010, http://www.comscore.com/Press_Events/Presentations_Whitepapers/2010/The_2009_U.S._Digital_Year_in_Review

[2] eMarketer, December 9, 2010, How many marketers are using social Media? http://www.emarketer.com/Article .aspx ?R= 1008092

[3] These are the Web Logs (blogs), the Online Communities, the Social Networks / Social Networking Sites, the Online Forums and the Content Aggregators

The Application Types are commonly labelled as “Social Media”: These are online environments allowing direct contact, networking, interactive communication between online users and the posting, editing and dissemination of user generated content (Constantinides & Fountain, 2008).

The importance and popularity of the Social Media as marketing tools and communication channels is growing (Deighton & Kornfeld, 2009) and field studies provide evidence that these can influence the consumer behaviour[4]. According to a recent Forrester Research report[5] the Social Media domain has become an important tool of Interactive Marketing and commercial budgets spend on Social Media marketing are growing at the cost of other forms of interactive and traditional marketing; in the US funds directed to social media are expected to grow from $716 million in 2009 to $3.1 billion in 2014. According to a recent report of Outsell advertisers in the US plan for the first time to spend more money in online advertising than print[6].

Social Networking Sites are defined in different ways in the literature; user participation. Creation and exchange of user generated content are common in these definitions (Tredinnick, 2006; Constantinides et al., 2008). Boyd & Ellison (2007) define the SNS “as web-based services that allow individuals to (1) construct a public or semi-public profile within a bounded system, (2) articulate a list of other users with whom they share a connection and (3) view and traverse their list of connections and those made by others within the system”. Boyd & Ellison (2007) argue that the term “Social Network Sites” is more appropriate than the term “Social Networking Sites” and these terms should not be used interchangeably; they argue that the term “Networking” emphasizes relationship initiation that for all intents and purposes is not among the priorities of users of these applications. Beer (2008) rejects this argument questioning the analytical value of such a distinction as making the terrain more difficult to deal with. According to Beer (2008) the term “Network” is not appropriate since it could imply the inclusion of web applications not necessarily aiming at social networking[7]. The authors of this paper adopt the view of Beer (2008) and the acronym SNS will refer to the term Social Networking Sites in this paper.

A common aspect of SNS is their capacity to bring together and connect people with similar demographics, interests, ideas, hobbies, educational, professional or social backgrounds. Participants of SNS can meet online peers they know or do not know and invite them to join their list of contacts. Depending on the application these lists are labelled with a variety of terms: “contacts”, “friends”, “followers”, “connections” and “fans” are some of the more common terms used. SNS allow different forms of interactions between the network participants. Instant messaging, voice communication, micro-blogging or discussion forums are some of the options. The network participants can create and share content in the form of information, comments, product reviews, news, opinions, messages, photos, videos, etc.

One of the advantages of SNS is that they allow people to meet virtually and create online communities without any geographical limitations. Furthermore many SNS allow the creation of sub-networks (or groups) for bringing together people sharing very specific interests within the main networking site. As an example the business social network LinkedIn (www.linkedin.com) allows members to create and join unlimited special interest groups within the site. One of such online sub-group is the “E-Marketing Association Network” with more than 200.000 members (January 2010).

Regarding the types of SNS a 2007 research paper of FaberNovel[8] identifies four categories of Social Networking Sites depending on the participants’ objectives: Online Communities (goal: socializing), Business Networks (goal: career and business opportunities), Online Matchmaking (goal: “soul mate”), and Alumni

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[4] http://www.cmbinfo.com/news/press-center/social-media-release-3-10-10/

[5] Forrester (2009), US Interactive Marketing Forecast 2009 to 2014, by Shar van Boskirk, http://www.forrester.com/rb/Research/us_interactive_marketing_forecast%2C_2009_to_2014/q/id/47730/t/2

[6] www.outsellinc.com

[7] Interestingly, as it will be discussed later, the findings of this study support the view that typical networking-related motives such as making new friends / making new contacts and building professional relations are not perceived as the highest priority motives of SNS users of such sites (Figure 7).

[8] http://www.fabernovel.com/news/research-paper-social-network-websites

Networks (goal: getting back in touch). Gillin (2009) provides a different classification of SNS including nine different types: General Purpose Networks, Vertical Networks, Social Bookmarking, Recommendation Engines, Social Shopping, Horizontal Networks, Photo / Video sharing, Virtual worlds and Mobile Networks.

RESEARCH STRATEGY FOLLOWED: METHODOLOGY

The study is based on a national survey conducted in the autumn of 2009 in The Netherlands. This country is an appropriate market for research on Internet-related issues due to high penetration of the web and the experience / sophistication of Internet users; according to the 2009 European commission's Digital Competitiveness Report[9] 83% of the Dutch are regular internet users – connecting to the internet at least once a week - and 74% of the population has access to broadband connection. In both aspects The Netherlands is ranking number 1 in the European Union.
The sample size was 517 Internet users including social networking sites users and non-users: 400 and 117 respectively. To obtain the final sample we used a non-probability method by quota sampling, to ensure that the various subgroups of the target population are represented in the sample with regard to gender, age and region of residence (see Table 1). The field work was conducted in October 2009. An online questionnaire to the panel of Internet users was used for this study.

From a methodological perspective, information obtained was treated statistically using univariate (descriptive statistics) and bivariate (contingency table) analysis of the data. To test whether there is any relationship or association between being user or non-user of SNS, and the different uses of the Internet in general and Web 2.0 in particular, we will use the Chi-square test of independence.
The chi-squared test of independence is used when you have two nominal variables, each with two or more possible values. It is used to determine whether there is a significant null hypothesis is that the relative proportions of one variable are independent of association between the two variables. The the second variable. In our study, the null hypothesis is that to be or not to be user of SNS is related to the different behaviour on the Internet and Social Web.

RESULTS

Uses of the internet and adoption of Web 2.0 tools

In our study, we can see that most of the sample participants are experienced Internet users, regardless of whether or not they are SNS users[10]. Specifically 59% of SNS users are Internet users for 8 years or more, while among non-users this figure is 64.1%.
Analyzing the frequency of accessing Internet from different locations and devices we found that there is only relation between being SNS user or non-user and accessed via the home computer and mobile phone with a higher frequency of access by SNS users. Specifically, 56.8% of SNS users access several times a day from home, and 5.5% several times since the mobile phone, while 40.2% of SNS non-users access several times a day from home, and 1.7% every day or almost every day since the mobile phone.

The use of the Internet has increased mainly at the cost of time spent watching television (52.6% of Internet users), studying (40.8%), doing nothing (40%), walking, going out with friends, spending time with the partner (38.9%), listening to the radio (19.1%), going to the cinema (12.6%), sleeping (11.6%), finding information in libraries, catalogues, etc. (11.4%), working (9.3%), reading (5.8%) and doing sport (5.2%). In most of these activities the percentage of users who have reduced the time spent on these activities is higher for SNS users than non-users. However, there is no relationship between being SNS user or non-user, and the activities that they are engaged for shorter time to the detriment of the Internet.
There are many different Internet options which can be used by the user to obtain

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[9] http://ec.europa.eu/information_society/newsroom/cf/itemlongdetail.cfm?item_id=5146

[10] Tested by chi-square test of Independence.

Table 1: Sociodemographic data of Dutch sample studied (%)

		SNS users	SNS non-users	TOTAL
GENDER	Male	43.0	56.4	46.0
	Female	57.0	43.6	54.0
AGE	From 16 to 24 years	19.0	2.6	15.3
	From 25 to 34 years	29.0	6.8	24.0
	From 35 to 44 years	23.0	23.9	23.2
	From 45 to 54 years	14.5	23.9	16.6
	From 55 to 64 years	10.5	33.3	15.7
	From 65 to 74 years	4.0	9.4	5.2
PROVINCE	Groningen	3.5	3.4	3.5
	Friesland	5.8	3.4	5.2
	Drenthe	1.5	2.6	1.7
	Overijssel	5.0	5.1	5.0
	Gelderland	11.3	11.1	11.2
	Utrecht	8.8	9.4	8.9
	North-Holland	15.8	12	14.9
	South-Holland	11.8	15.4	12.6
	Zeeland	1.5	2.6	1.7
	North-Brabant	15.3	16.2	15.5
	Limburg	6.0	6.8	6.2
	Amsterdam, Rotterdam, 's-Gravenhage	10.8	9.4	10.4
	Flevoland	3.3	2.6	3.1
REGION	District 1 - 3 large cities	10.8	9.4	10.4
	District 2 - rest west	32.8	33.3	32.9
	District 3 - north	10.8	9.4	10.4
	District 4 - east	19.5	18.8	19.3
	District 5 - south	22.8	25.6	23.4
	Small towns	3.5	3.4	3.5

information (such as Web 1.0 based activities) or to generate content (based on Web 2.0 applications). Figure 1 show the frequency by which different Internet users (differentiating between SNS users and non-users) use various Internet tools, which are used principally to obtain information or communicate.

It is observed that as a rule (with the exception of e-mail) a substantial percentage of SNS non-users never use these Internet options. There is more frequent use of different tools by the SNS users, except for consulting wikis, network file transfer (FTP), alerts subscription and consult distribution lists.

The varying frequency of use of certain Internet tools, depends on being SNS user or non-user: These are the peer-to-peer (P2P) file sharing, consult blogs, participation in chats, instant messaging, consult alerts subscription and distribution lists. Only the last two activities are done with greater frequency by SNS non-users (see Table 2).

The frequency of use of e-mail, watching and listening to files via the Internet, consulting forums for information, reading reviews about products, news, snooping, etc., network file transferring (FTP), consulting wikis, visiting web sites using avatars (virtual characters) helping site visitors, and making phone calls over the Internet (using Skype or other applications) does not depend on being SNS user or non-user. We must emphasize that all these applications showed in Figure 1 refer to a participation in which the user simply receives information and does not generate content.

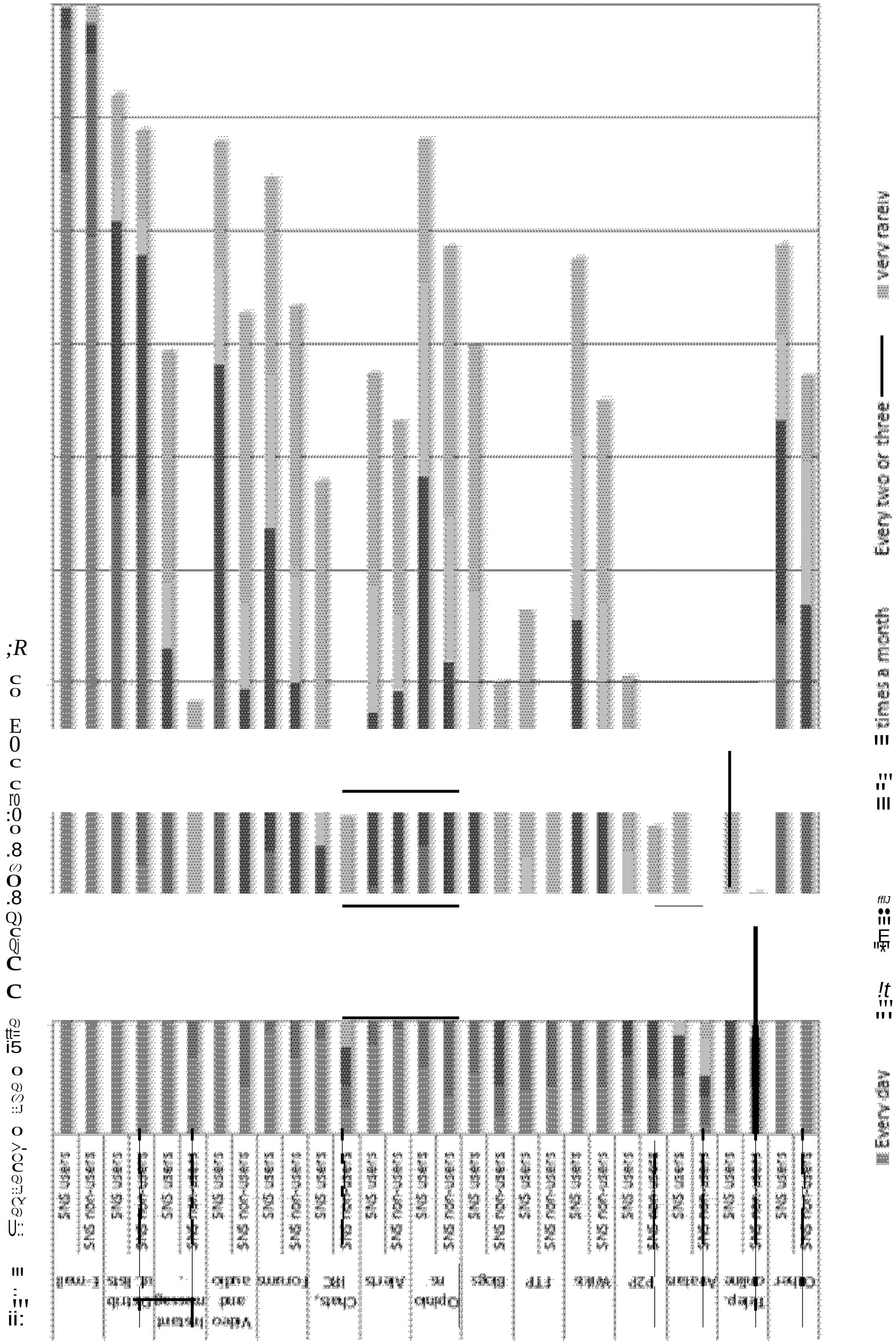

E-mail
Video and audio
Instant messaging
Forums
Chats, IRC
Alerts
Opinion
Blogs
FTP
Wikis
P2P
Avatars
Telep.
Other
SNS users
SNS non-users
Every day
times a month
Every two or three
very rarely

Table 2: Frequency of use of different Internet tools to obtain information and Chi-square test of independence

		Frequency of use							
		Every day	Several times a week	Several times a month	Every two or three months	Very rarely	Never	Chi-squared	p-value
E-mail	SNS non-users	79.5%	16.2%	2.6%	0.0%	1.7%			0.264
	SNS users	85.3%	12.5%	1.8%	0.0%	0.3%	0.3%		
Distribut. lists	SNS non-users	23.9%	32.5%	21.4%	3.4%	7.7%	11.1%	1.767	0.880
	SNS users	21.5%	35.0%	24.3%	3.8%	7.5%	8.0%		
Instant messag.	SNS non-users	6.8%	8.5%	0.9%	3.4%	18.8%	61.5%	43.593	0.000
	SNS users	19.0%	14.3%	9.8%	5.8%	20.5%	30.8%		
Vídeo, audio	SNS non-users	4.3%	13.7%	21.4%	7.7%	25.6%	27.4%	41.073	0.000
	SNS users	12.5%	28.8%	26.8%	8.5%	11.3%	12.3%		
Forums	SNS non-users	6.8%	12.8%	20.5%	9.4%	23.9%	26.5%	12.863	0.025
	SNS users	9.3%	15.8%	28.5%	13.8%	17.3%	15.5%		
Chats. IRC	SNS non-users	2.6%	1.7%	3.4%	0.0%	20.5%	71.8%	36.377	0.000
	SNS users	8.5%	8.8%	8.3%	3.8%	28.5%	42.3%		
Alerts	SNS non-users	9.4%	12.8%	17.1%	6.8%	17.1%	36.8%	2.787	0.733
	SNS users	8.0%	14.0%	15.3%	11.3%	18.8%	32.8%		
Opinions	SNS non-users	3.4%	13.7%	24.8%	12.8%	23.9%	21.4%	18.675	0.002
	SNS users	6.0%	19.5%	32.8%	17.0%	12.8%	12.0%		
Blogs	SNS non-users	1.7%	2.6%	6.8%	6.0%	23.1%	59.8%	43.040	0.000
	SNS users	5.5%	9.5%	20.8%	12.3%	21.8%	30.3%		
FTP	SNS non-users	4.3%	6.0%	4.3%	2.6%	17.1%	65.8%	6.833	0.233
	SNS users	4.0%	7.0%	7.8%	5.8%	21.8%	53.8%		
Wikis	SNS non-users	4.3%	10.3%	19.7%	12.8%	17.9%	35.0%	9.904	0.078
	SNS users	4.0%	16.0%	25.5%	16.3%	15.8%	22.5%		
P2P	SNS non-users	0.0%	5.1%	5.1%	5.1%	12.0%	72.6%	9.679	0.000
	SNS users	2.0%	5.0%	11.8%	6.3%	15.5%	59.5%		
Avatars	SNS non-users	0.9%	2.6%	1.7%	3.4%	12.8%	78.6%	3.597	0.609
	SNS users	2.0%	3.3%	3.5%	3.8%	17.0%	70.5%		
Telep. online	SNS non-users	1.7%	2.6%	4.3%	0.9%	12.0%	78.6%	9.796	0.081
	SNS users	2.0%	2.0%	8.8%	4.8%	17.0%	65.5%		
Other	SNS non-users	18.8%	17.2%	10.9%	12.5%	7.8%	32.8%	6.879	0.230
	SNS users	20.8%	24.5%	17.9%	7.5%	8.0%	21.2%		

Figure 2 shows the frequency of user participation in various Web 2.0 applications (social media) in active ways i.e. generating content. It reveals that the percentage of Internet users, both SNS users and non-users, who generate online content, is much lower than the percentage of “passive” Internet users. Despite the fact that a higher percentage of SNS users than non-users are contributing online content the findings indicate that the greater or lower use of content-creating applications is not related to whether one is a SNS user, except in the case of participants in forums, blog publishers and those contributing blog comments (see Table 3). Specifically the main activities carried out by a greater number of Internet users, regardless of the frequency of use, are to express opinions and valuations about products, news, curiosities, etc. (71%) and to participate in forums (54.9%), followed by creation and/or sending files through the Internet (39.1%), sending messages to distribution lists in communities or groups (38.3 %), providing comments to blogs (32.5%), to designing and/or adapting products or services through the Internet (24%), adding content to their own blog (22.4%), and contributing content in wikis (15.7%).

Adoption and use of social networking sites

In this section we analyze the level of adoption of SNS by its user and the use of these, as well as the motivations that lead individuals to participate in online social networks.

Figure 2: Frequency of participation in Web 2.0 tools as a user generated content (%)

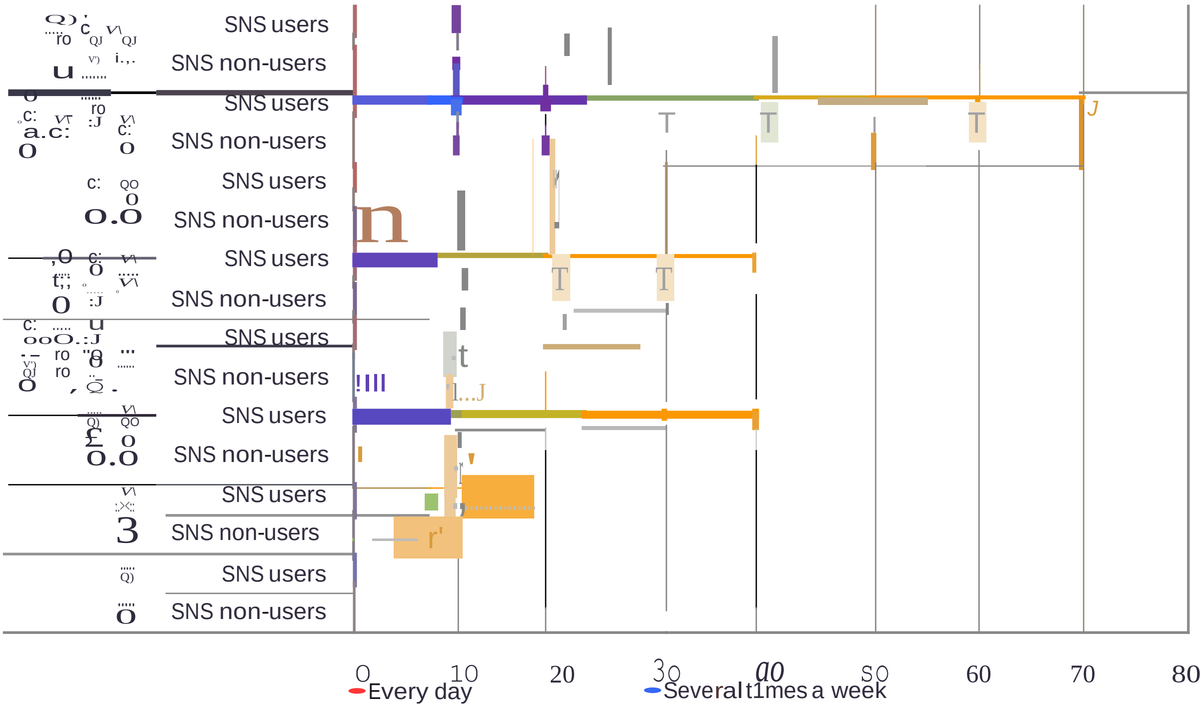
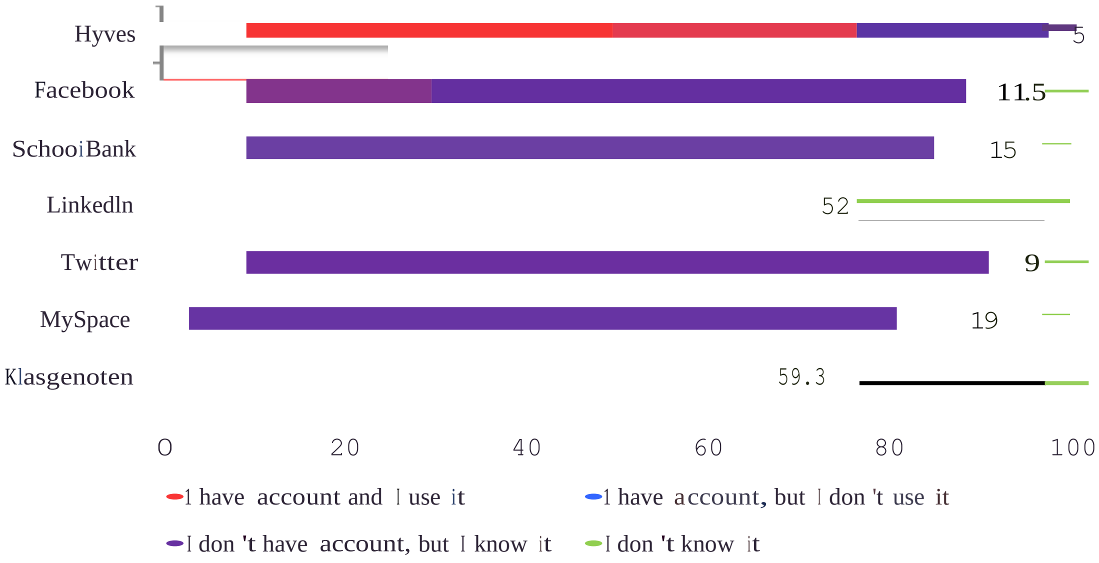


Table 3: Frequency of participation in Web 2.0 tools as user generated content and Chi-square test of independence

		Frequency of use							
		Every day	Several times a week	Several times a month	Every two or three months	Very rarely	Never	Chi-squared	p-value
Forums	SNS non-users	0.0%	3.4%	5.1%	6.8%	28.1%	55.6%	16.488	0.006
	SNS users	4.0%	7.5%	11.3%	11.0%	24.3%	42.0%		
Create/ send files	SNS non-users	1.7%	5.1%	4.3%	5.1%	11.1%	72.6%	9.597	0.087
	SNS users	2.0%	6.5%	10.0%	7.3%	16.8%	57.5%		
Opinions. valuations	SNS non-users	0.9%	6.0%	17.9%	12.8%	32.5%	29.9%	2.989	0.702
	SNS users	1.5%	9.5%	15.3%	16.0%	29.0%	28.8%		
Own blog	SNS non-users	0.0%	0.0%	0.9%	0.9%	3.4%	94.9%	26.471	0.000
	SNS users	1.0%	2.3%	5.5%	6.8%	12.0%	72.5%		
Distribution lists	SNS non-users	0.0%	0.0%	2.6%	6.8%	28.2%	62.4%	5.488	0.359
	SNS users	0.5%	2.8%	4.8%	6.5%	24.0%	61.5%		
Design, adapt products	SNS non-users	0.0%	0.9%	1.7%	2.6%	7.7%	87.2%	10.683	0.058
	SNS users	0.5%	2.5%	3.8%	6.3%	14.3%	72.8%		
Other blogs	SNS non-users	0.0%	0.0%	2.6%	0.0%	8.5%	88.9%	33.748	0.000
	SNS users	0.3%	3.8%	5.3%	7.5%	22.0%	61.3%		
Wikis	SNS non-users	0.0%	0.0%	2.6%	0.9%	7.7%	88.9%	4.583	0.469
	SNS users	0.3%	0.5%	1.5%	2.3%	12.5%	83.0%		
Other	SNS non-users	0.2%	0.0%	0.0%	0.0%	0.0%	99.8%	5.035	0.412
	SNS users	0.2%	0.4%	0.0%	0.0%	0.0%	99.4%		

Figure 3: Social networking sites most used (%)



Most SNS users (75.2%) started using a SNS over one year ago, followed by 11.2% who are users between six months and one year, 9.5% who became users between one and six months ago and a small percentage of users with less than one month expetience (4%). We can argue that the use of SNS is relatively new and follows a very rapid growth.

As for the devices used to access to SNS, the vast majority use computers (92.8%) and a small percentage makes it through the mobile phone (0.3%); 7% of the users are connected with both devices.

Regarding the frequency of access to SNS 26.8% of the users are connected once a day, 21.3% several times a day, 6% almost every day and 9,3 % several times a week. Moreover, if we compare the frequency of access SNS with the frequency of access the Internet (discussed in the previous section), the last one is much higher (almost double).

Figure 3 shows the general interest (Hyves, Facebook, SchoolBank – a school alumni site–, Twitter, MySpace and Klasgenoten – also a school alumni site) and professional (Linkedln) SNS most used by individuals. Hyves is the most popular and best known SNS in The Netherlands followed by Facebook. In addition, the general interest SNS are more used and more known than the professional SNS.

Recounting all SNS, both general interest, specialized and professional, in which each user has an account and uses it, we can observed that 51% is faithful users of only one SNS, 24% is user of two, 11.8 % of three, and 7.3% of more than three. On the other hand, 6% of users are registered in some SNS but usually they do not use it, that is to say, they are interested about SNS, but they are not active users.

Evidently, although different SNS users have accounts in multiple sites and use them all, some SNS are used more intensely. As shown in Figure 4, Hyves, besides being the SNS with most users, is also being used with the highest frequency by 20.8% of users, followed by Linkedln (4.8%). However the SNS that is used more as a second option is Facebook (8.8%), followed by SchoolBank (8%). Otherwise, it is noteworthy that 28.5% of users found Hyves among its five most frequently used SNS, followed by Facebook (20%), SchoolBank (14.8%) and Linkedln (12.8%).

Table 2 shows the percentages of users, divided according to age, having accounts and using various SNS. We wish to emphasize that Hyves is used by all age groups, while individuals between 55 to 74 years seem to have a strong preference for the school alumni sites SchoolBank and Klasgenoten. The higher percentage of users between 16 and 24 prefer the Hyves, this category is also including the heaviest users of Facebook and Twitter. Paradoxically the site MySpace enjoys the

Figure 4: Social networking sites in which users have account and they use it, ranked by highest to lowest frequency of use (%)

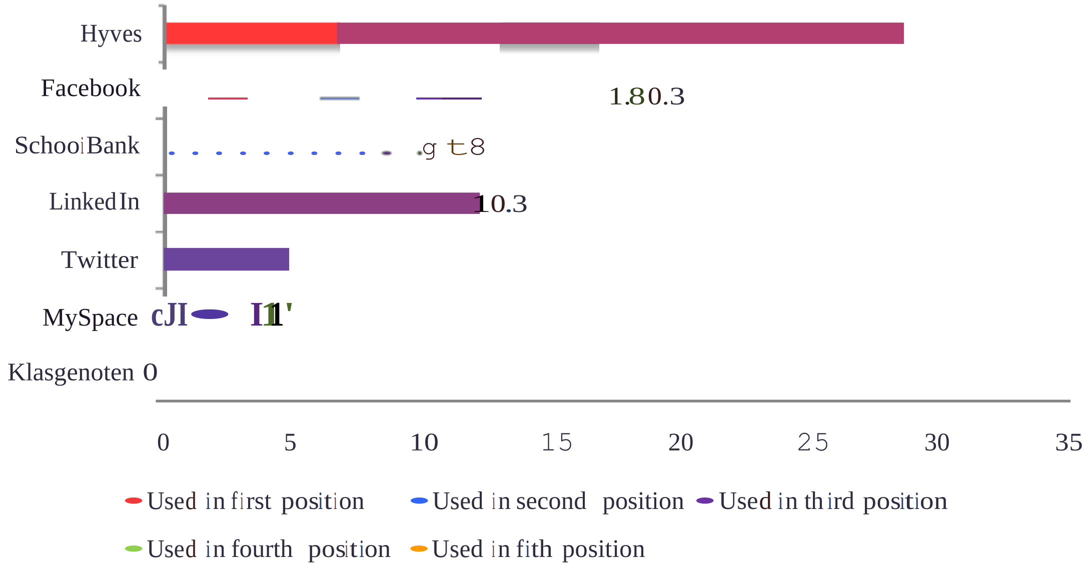


Table 2: Social networking sites used by age(%)

		From 16 to 24	From 25 to 34	From 35 to 44	From 45 to 54	From 55 to 64	From 65 to 74	TOTAL
General interest SNS	Hyves	90.8	84.5	67.4	56.9	57.1	56.3	73.8
	Facebook	40.8	22.4	21.7	24.1	31.0	25.0	27.0
	SchoolBank	2.6	14.7	21.7	31.0	45.2	56.3	21.3
	Twitter	9.2	8.6	5.4	1.7	2.4	0.0	6.0
	MySpace	5.3	5.2	3.3	6.9	7.1	0.0	5.0
	Klasgenoten	1.3	0.9	1.1	3.4	9.5	12.5	2.8
Professional SNS	LinkedIn	10.5	22.4	27.2	19.0	14.3	0.0	19.0

highest popularity among the users between 55 to 64 years old. Finally the professional network LinkedIn has is used mostly by users between 25 and 44 years old.

With regard to the SNS users profiles 46.5% of users have private profiles (visible only by their contacts), 22.5% have a public profile (which can be seen by anyone), 21% have a private profile in some and public profile in other SNS, and a small percentage don't know whether their profile is private or public.

The information most frequently included by most users in their profile is their real name (83%), a profile photo (78.3%), birthday (60%) and marital status (52.5%). Contact information like email address and phone numbers or information referred to the more

Figure 5: Information that users post in their profile in the social networking sites (%)

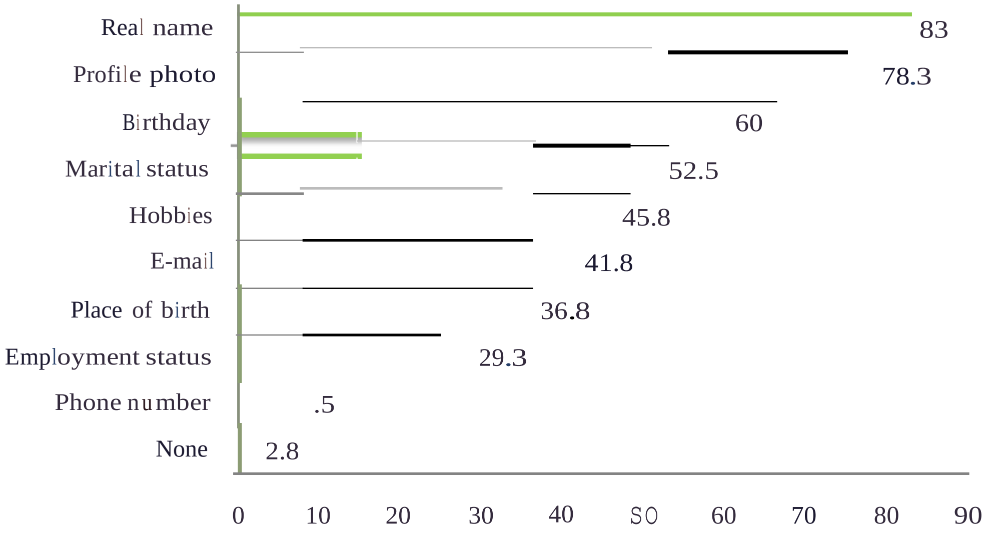
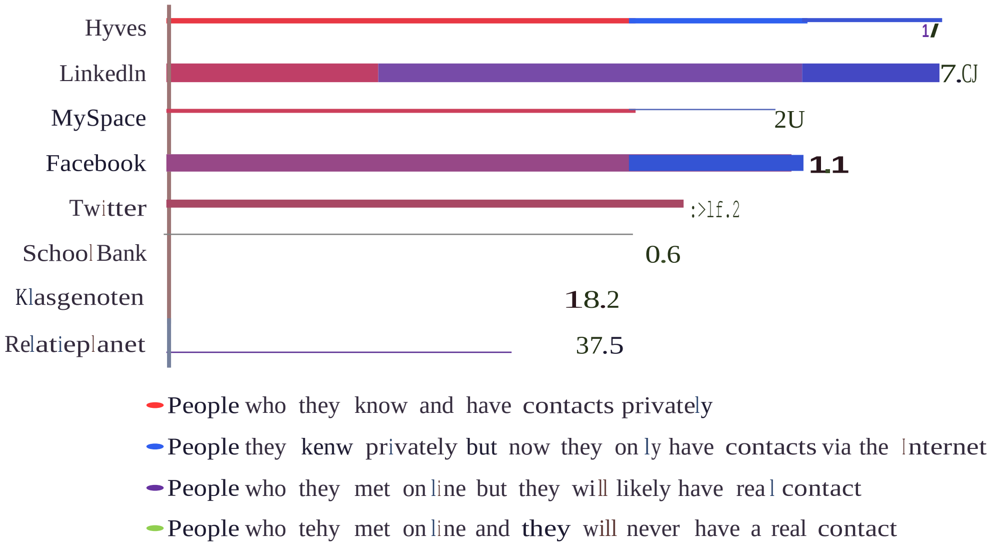


Figure 6: Types of contacts of SNS users



personal and private matters are published by smaller percentages of users (see Figure 5).

The number of contacts that each user has in the most used SNS vaties. Most users (28.8%) have between 10 and 50 contacts followed by those who has more than 100 contacts (28.3%), between 51 and 100 contact (25.5%) and less than 10 contacts (17.5%).

Figure 6 shows the different types of contacts in the main SNS of the surveyed individuals. This table refers only to users who affmned that had account in SNS and used it.. We can see that Hyves, Linkedln, MySpace and Facebook users, have as main contacts people who they know and have contact privately. Also these SNS have a high percentage of users who have as contacts people who knew privately but now they only have contacts via the Intemet. However, there are a small percentage of users who have as contacts people who they met online. Thus we conclude that SNS are used mainly to maintain and to recover the contact with past acquaintances.

In Twitter we detect an equal percentage of users who have as contacts people who knew inside and outside of the Intemet. It is logical because Twitter is not used only in contacts with fiiends, but also by many as a way to stay in touch with persons or organizations that users are interested for. Therefore many of the Twitter contacts are impersonal. Moreover, in social networking like SchoolBank and Klasgenoten, most contacts are people with whom users have contacts or know them from the past, something one should expect in an alumni network.

Finally, the specialized social networking Relatieplanet, most contacts are people who they users met online but they will likely have real contact. Relatieplanet is an online dating SNS.

The main reasons that lead users to participate in SNS are found in Figure 7. SNS are used primarily in order to stay in touch with friends and acquaintances (63.5%) and for entertainment (50.3%).

Various types of activities are carried out in SNS (Figure 8). Most popular activities are to send private messages within the website, search for friends, get information about things that interest them, share and upload photos, and send public messages posted usually in the own wall own or in other friends wall. In most categories the occasional users are the largest group. Other activities, less related to social interaction, are performed by a smaller percentage of users and with a lower frequency. In addition, we wish to emphasize that their brands and products are already present in the talks; company advertising and publicity are objects of conversations.

Using the Chi-square test of independence, we concluded that there is correlation between the user's age and the engagement in certain activities; discussing photos of friends, gossiping, update of profiles, tagging friends in photos, searching for people and reporting about what they are doing. There is no correlation between the individual's age sharing or uploading photos, discussing about what acquaintances say or do, sending private or public messages, getting information about things that interest them, downloading applications, downloading games, searching for job opportunities, communicating news or issues of possible interest to others, sharing moods, sharing links about interesting web sites, communicating ideas/thoughts, reporting about brands or products they use and writing or commenting about advertisement.

SNS offer multiple opportunities for companies. One of these opportunities is to advertise as brand or as an event organizer, among other possibilities. Because of this, we want to examine whether users are aware of companies' advertising in the SNS, and if they ever decided to know more about these commercials. We obtained that 27.8% of users remember seeing advertising in SNS, and only 7.8% of these users (i.e., 27.9% of total) has ever clicked on the advertisement to know more about it.

Figure 7: Main reasons to participate in social networking sites

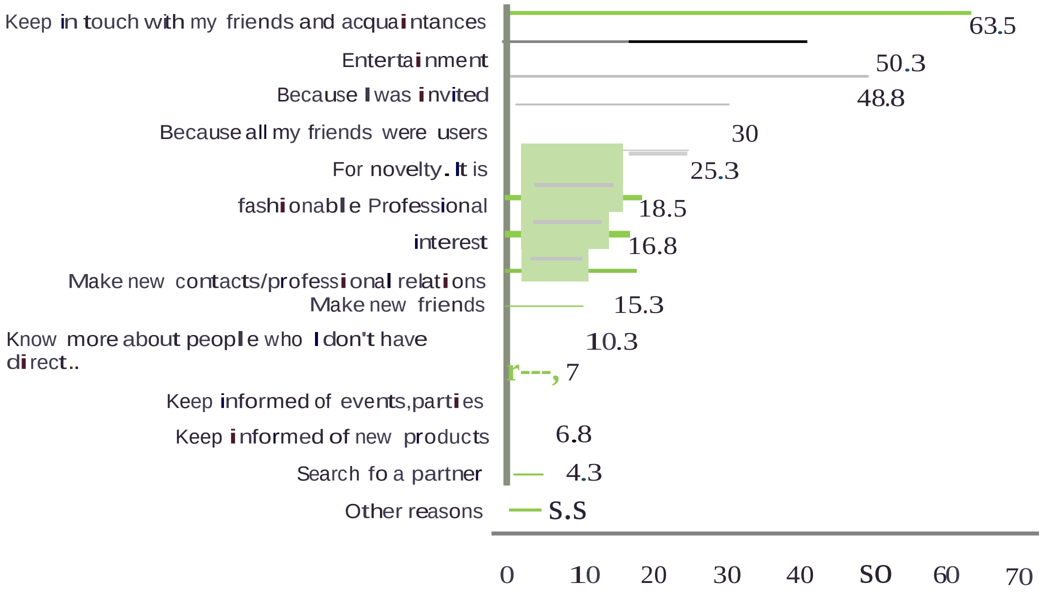
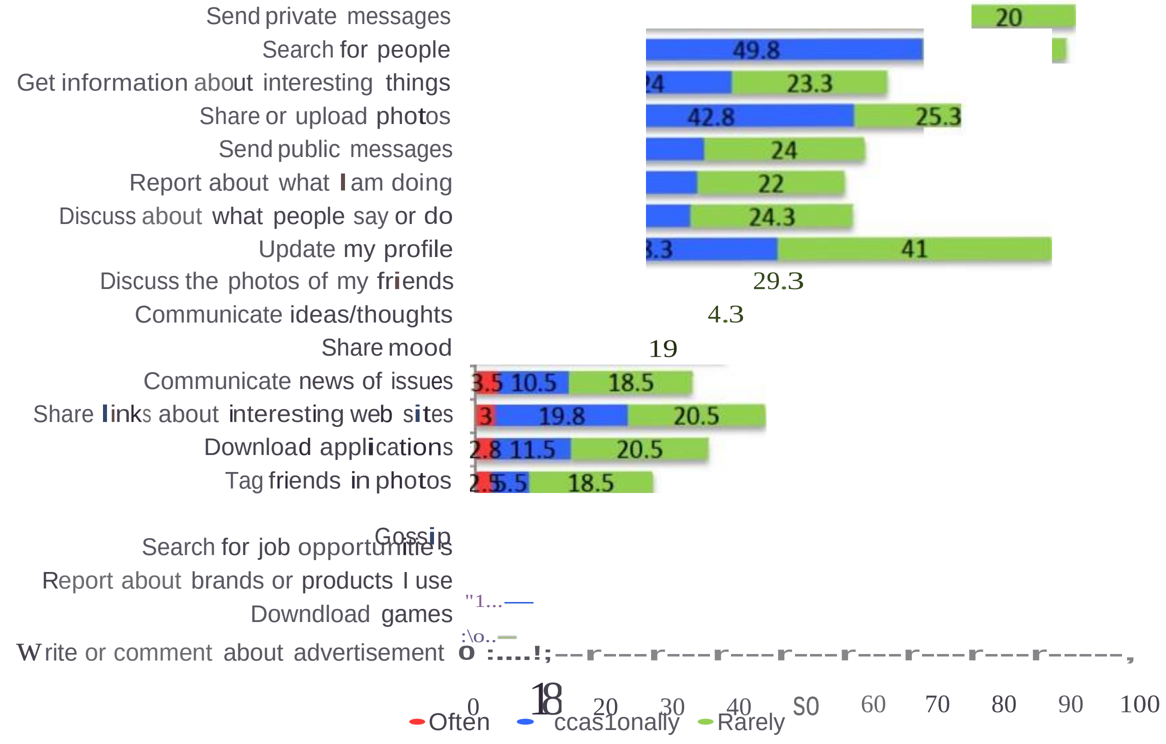


Figure 8: Frequency of carrying out of activities in social networking sites



CONCLUSIONS AND RECOMMENDATIONS

Social Networking Sites (SNS) is a category of Internet applications of the second Internet generation widely known as Web 2.0. SNS are part of a larger family of web applications known as Social Media; the most important trait of the Social Media is the direct participation of final users who can use these for peer-to-peer communication as well as for creation, dissemination and editing of publicly created content. Social Networking is one of the most popular online activities attracting hundreds of millions of users. SNS are Internet services allowing the easy and unlimited creation of virtual social networks and the exchange of content (information, messages, news, files, audio, video, pictures etc.) among peers.

This explorative study aims at identifying the usage patterns of these sites among the users of Social Networking Sites in The Netherlands; the study took place in the autumn of 2009. A national non-probability quota sample of 400 users and 117 non-users of SNS users were surveyed in order to identify usage patterns and attributes of the user vs. non user. Participants (or users) of SNS seem to be more active in the Social Web than non-users; users are more involved in file exchange, instant messaging, posting online opinions and participating in online discussions in higher percentages than non-users and with more intensity and frequency. On the basis of the findings can be argued that users of SNS are contributing more user generated content than non-users. Most users of SNS (about 75%) were already using these applications for longer than a year during the time of the survey. The analysis of the data provides information as to the detailed usage patterns of SNS, the motives of using them, the most popular social networking platforms, the intensity of use, the frequency and the types of activities users perform online. The information provides a clear picture of the social networked population in a European country with one of the higher penetration of Internet among the population. Such information is of high value for businesses that feel threatened by the increasing power of their customers but on the other hand are eager to include the Social Media and the SNS in particular into their marketing strategy.

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The impact of cobranding on customer evaluation of brand counterextensions

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ABSTRACT

A brand that successfully extends from its parent category into a new extension category often faces a counterextension by a brand from the extension category back into its own parent category. However, there is little guidance available on how brand extension strategies should be adjusted to mitigate the risk to the parent brand from counterextensions. This research examines the differential impact of cobranded versus solo-branded extensions on customer evaluations of brand counterextensions. It demonstrates that customers evaluate a counterextension less favorably if the preceding extension by the focal brand is cobranded than if it is solo branded. The findings suggest that cobranding not only improves the attribute profile of a brand's own extension but also helps protect the brand against counterextension.

A widely adopted strategy for firms entering new product markets is to use brand extensions and to take advantage of an existing brand's equity in a new category (Aaker 1991; Park, Jaworski, and Macinnis 1986). A consequence of the popularity of this strategy is that brand extension activity between product categories is now increasingly bidirectional. Often, a brand that successfully extends from its parent category into a new extension category faces a counter-extension by a brand from the extension category back into its own parent category. Such interactions between extensions and counterextensions are routinely observed across many categories, such as pitcher-based and faucet-mounted water filters (Brita versus PUR), domestic and international package delivery (FedEx versus DHL), cable service and Internet service (Cox Communication versus SBC Communications), and, more broadly, consumer electronics and computer hardware (Sony and Toshiba versus Dell and Gateway).

Although the brand management literature correctly cautions against indiscriminate use of extensions (Gibson 1990; Loken and Roedder-John 1993), there has been almost no research on whether a brand's extension strategy influences customer response toward counterextensions. Thus, there is little guidance available on how extension strategies should be adjusted to mitigate the risk to the parent brand from counterextensions. However, as brand extension activity across category boundaries continues to increase, the interplay between extensions and counter-extensions is likely to emerge as a key brand management issue. Therefore, marketers must begin to understand how to account for and manage the risk from counterextensions to ensure that the gains from the extension of their brand into a new product-market are not significantly offset by the losses suffered as a result of counter-extensions that are launched into their product-market.

In this article, I investigate whether cobranding an extension with a partner brand instead of launching it solo branded has an effect on customers' responses toward a counterextension. My core thesis is that a successful solo-branded extension improves customer perception of the similarity and fit between the parent and extension categories and enhances customer evaluation of a counterextension. However, a cobranded extension merely inherits select attributes from each partner brand and leaves the perceptions of similarity between a parent category and the

extension category relatively unchanged. Therefore, I predict that a counterextension is likely to be evaluated less favorably if the previous extension by the focal brand was cobranded with a partner brand than if it was solo branded.

I address this issue with a series of five experimental studies that focus on the difference between the evaluation of a counterextension following cobranded versus solo-branded extensions. I conclude the article with a discussion of the findings from these studies in terms of their theoretical and managerial implications, and I present an outline of a further research agenda in the area of brand counterextensions

CONCEPTUAL BACKGROUND AND HYPOTHESES

In this section, I begin by drawing on categorization theory (Rosch and Mervis 1975) to argue that a successful launch of a solo-branded extension improves customer perception of the similarity between the parent and extension product categories and thus enhances customer evaluation of a counterextension. Then, I posit that cobranding the extension with an appropriate partner brand helps maintain the perceptual separation between the parent and extension categories and results in a lower customer evaluation of a counterextension. Throughout the discussion, I refer to the focal brand that launches the first or initial brand extension as Brand A_1 and, when applicable, to its cobranding partner as Brand A_2. I refer to the brand that launches the counterextension as Brand B.

The Impact of Brand Extensions on Customer Evaluation of Counter extensions

Customers tend to divide the products around them into categories and place products that are similar to one another into the same category and those that are dissimilar into different categories (Day, Shocker, and Srivastava 1979; Rosch 1978). Although category boundaries are often ill-defined, the perceived separation between a category and its neighboring category depends on whether its prototypes are unique or shared with the neighbor. Categories that contain unique prototypes tend to be more distinctive than those that do not (Tversky 1977). Brands often serve as these prototypes and provide useful cues that help separate neighboring categories from one another. Therefore, all else being equal, customers are likely to perceive a category as more differentiated if it contains unique brands than if it shares brands with other categories. For example, the perceptual separation between the peanut butter and the jelly categories is likely to be greater if they both contain unique brands than if they share brands between them.

A successful solo-branded extension by Brand A_1 into the category of Brand B reduces the number of unique or distinctive members of each category and increases the number of members that are common between them. This change in the relative number of common versus unique members is likely to improve customer perception of the similarity and fit between the two categories (Aaker and Keller 1990; Dhar and Sherman 1996; Smith and Park 1992; Tversky 1977). In turn, a better fit facilitates the transfer of beliefs and affect that are associated with a brand in either category to its extension into the other (Cohen and Basu 1987; Meyers-Levy and Tybout 1989; Sujan 1985).[1]

Therefore, a subsequent counterextension by Brand B into the category of Brand A_1 will be evaluated more favorably if Brand A_1 previously launched a successful solo-branded extension into the category of Brand B than if did not launch the extension (see Figure 1, Panels A and B). In other words, the increase in similarity between the categories of Brand A_1 and Brand B following a successful solo-branded extension by Brand A_1 is likely to improve customer evaluation of a counterextension by Brand B. Formally, I hypothesize the following:

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[1] However, the failure of an extension maintains the separation between the parent and extension categories. Therefore, I expect that customer evaluation of a counterextension following a failed solo-branded extension is likely to be no different from what it would have been had the prior extension not been launched at all.

> H_1: Customer evaluation of a counterextension by Brand B into the parent category of Brand A_1 is greater if Brand A1 previously launched a successful solo-branded extension into the parent category of Brand B than if it did not launch the extension.

Cobranding and Customer Evaluation of Counterextensions

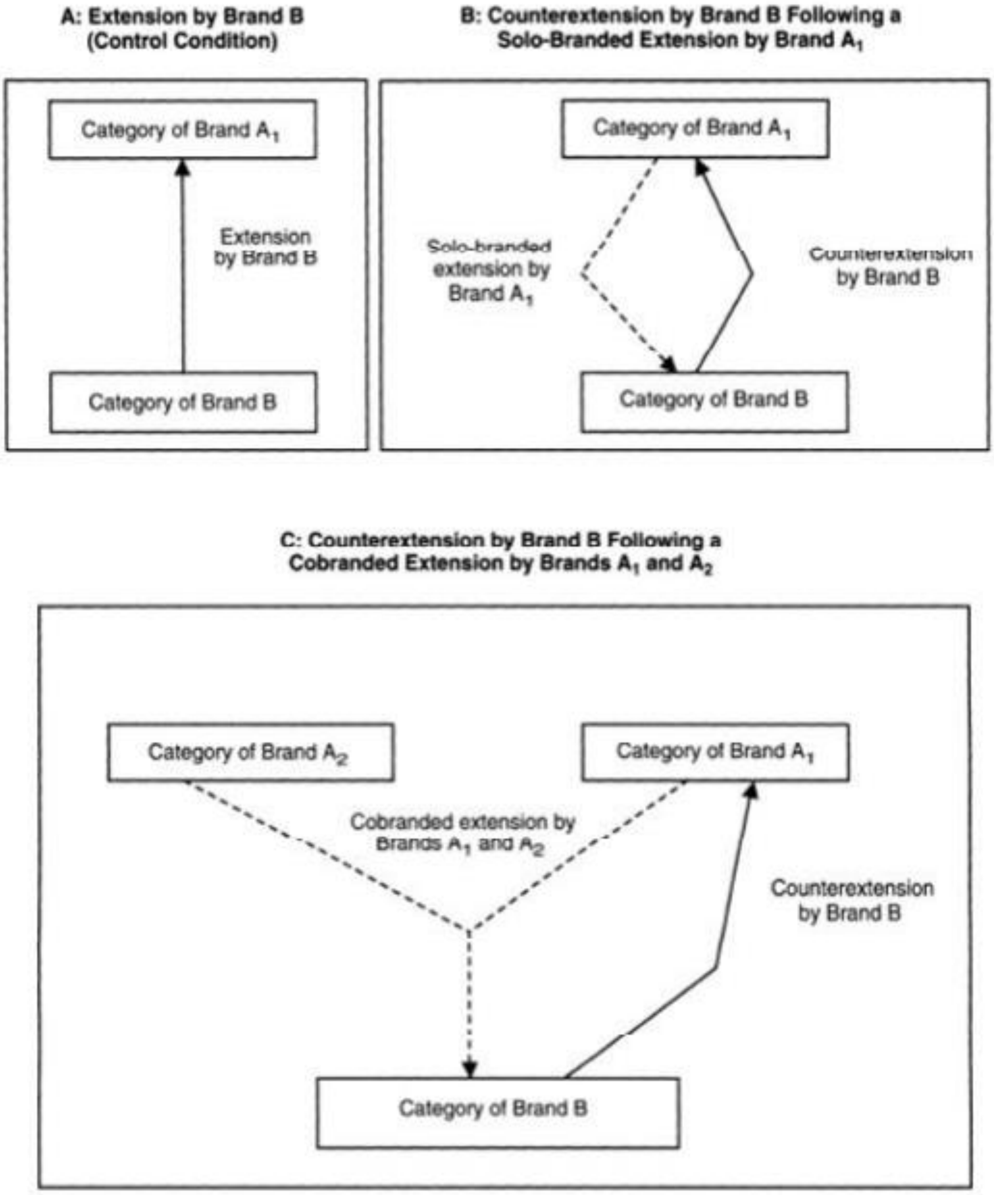
A cobranded extension is one in which two brands are used jointly to present a product to the customer (Rao and Ruekert 1994). For example, Smucker's Dove ice-cream topping is a cobranded product launched jointly by Smucker's, a fruit preserves brand, and Dove, a chocolate brand, into a new product category. Similarly, Oral-B Rembrandt whitening strips is a cobranded product launched by a toothbrush brand and a whitening toothpaste brand into a new category. Previous research shows that cobranding is a useful extension strategy because it strengthens the attribute profile of the extension (Park, Jun, and Shocker 1996), helps the partner brands gain advertising synergies (Samu, Krishnan, and Smith 1999), and improves customer attitude toward the parent brands (Simonin and Ruth 2001).

More important, unlike a solo-branded extension, a cobranded extension is a composite brand concept that contains the characteristics of two underlying concepts (Cohen and Murphy 1984; Park, Jun, and Shocker 1996). Each of the two participating concepts is associated with a set of attributes that are combined according to a set of rules to form the composite concept (Eysenck and Keanne 1990; Hampton 1987). In other words, a cobranded extension does not involve the transfer of the entire brand concept from a parent category to an extension category (Park, Milberg, and Lawson 1991). Rather, it merely involves the transfer of a subset of attributes from each of the two parent brands, A_1 and A_2, and their recombination into a coherent composite concept that could become a member of the extension category to which Brand B belongs. The subset of attributes that each partner brand contributes is likely to be less unique to the parent brands, A_1 or A_2, than is the entire set of attributes that characterize each of them (Hampton 1997). For example, consider the case of a cobranded extension of a fruit preserves brand and a chocolate brand into the ice-cream toppings category. One of the features that the former contributes to the cobranded extension is the packaging in a glass bottle, an attribute that, by itself, is less unique to the fruit preserves category than is the complete set of attributes that characterize the category. Because Brand A_1 contributes only selective attributes to its cobranded extension with Brand A_2, the increase in overall similarity and fit between the parent category of Brand A_1 and the extension category is less than if the extension were solo branded by Brand A_l. A relatively smaller increase in similarity results in a lower evaluation of the counterextension by Brand B into the category of Brand A_1 than what it would have been if the extension by Brand A_1 was solo branded (see Figure 1, Panels B and C). Therefore, I hypothesize the following:

> H_2: A counterextension by Brand B into the parent category of Brand A_1 is evaluated more favorably if the previous brand extension by Brand A_1 into the category of Brand B is solo branded than if it is cobranded with a partner brand, A_2, from a complementary category.

Differential effect on header and modifying brands. Although by definition a cobranded extension consists of two partner brands, A_1 and A_2, in general both brands do not contribute equally to the cobranded concept. Typically, one of the two brands serves as a dominant or header brand, and the other serves as a dominated or modifier brand (Murphy 1988). For example, in the case of Oral-B Rembrandt whitening strips, Oral-B serves as the header brand, and Rembrandt serves as the modifier brand. Previous research shows that a composite concept tends to resemble one constituent concept more than the other, a phenomenon referred to as a "dominance effect" (Hampton 1988; Storms et al. 1996). It tends to derive its features and attributes more from the dominant concept with which it is perceived to have a relatively greater overlap than from the dominated concept.

Figure 1: Solo-Branded versus cobranded extensions and brand counterextensions


A: Extension by Brand B (Control Condition)
Category of Brand A₁
Extension by Brand B
Category of Brand B
B: Counterextension by Brand B Following a Solo-Branded Extension by Brand A₁
Category of Brand A₁
Solo-branded extension by Brand A₁
Counterextension by Brand B
Category of Brand B
C: Counterextension by Brand B Following a Cobranded Extension by Brands A₁ and A₂
Category of Brand A₂
Category of Brand A₁
Cobranded extension by Brands A₁ and A₂
Counterextension by Brand B
Category of Brand B

Park, Jun, and Shocker (1996) interpret this finding within the context of brand alliances and suggest that a cobranded extension is likely to be more closely identified with and interpreted in terms of the properties of the header brand rather than those of the modifier brand. The salience and the performance level of the attributes of the cobranded extension are therefore likely to be drawn more from the parent brand that serves as the header and less from the brand that serves as the modifier brand. Therefore, following the successful launch of a cobranded extension, the perception of similarity between the extension category and the parent category of Brand A_1 is likely to be greater if A_1serves as the header brand rather than as the modifier brand. Overall, if both parent brands are reasonably strong and well liked, customer evaluation of a counterextension is likely to be superior if the parent brand is a header brand rather than a modifier brand in the previous cobranded extension.[2] Formally, I hypothesize the following:

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[2] If one of the partner brands is extremely weak, the salient attributes of the extension may be drawn more from the stronger partner.

H_3: A brand counterextension by Brand B into a parent category of Brand A_1 is evaluated more favorably if Brand A_1 serves as a header brand in the previously launched cobranded extension with Brand A_2 than if it serves as a modifying brand

Effect of positioning a cobranded extension. A cobranded extension derives its attributes by selectively drawing on the attributes of the two partner brands. It can be positioned through the use of a communication strategy that explicitly outlines the partner-specific contribution to its set of key attributes (hereinafter, an attribute partitioning strategy). Alternatively, it can be positioned through the use of a more holistic approach that outlines the pooled set of key attributes but does not map each subset to the respective parent brands (hereinafter, a unified positioning strategy). Previous research shows that the design of the communication strategy used to position a brand alliance influences how customers interpret the joint presentation of two brands and the relationship between their respective product categories (Samu, Krishnan, and Smith 1999). Specifically, a bottom-up communication strategy that explicitly highlights the attribute-level contribution of each partner induces customers to use an attribute-based processing approach to interpret an alliance between two brands

Therefore, an attribute partitioning-based positioning rather than a unified or holistic positioning of the cobrand is more likely to increase the salience of the fact that each partner brand, A_1 and A_2, contributed only selectively to the extension. This positioning is more likely to induce customers to divide the attribute set of the cobranded extension into subsets, map each subset to the respective parent brand, and thus maintain the perceptual separation between the parent and extension categories. The maintenance of inter category separation under an attribute partitioning strategy is likely to result in a lower evaluation of a counterextension by Brand B than it is under a unified positioning strategy. Therefore, I hypothesize the following:

H_4: The evaluation of a counterextension by Brand B is lower if the positioning strategy for the previous cobranded extension by Brands A_1 and A_2 is attribute partitioning than if it is unified

STUDY 1

Overview

Study 1 was designed to test H_1-H_3 regarding the impact of solo-branded versus cobranded extensions on customer evaluation of a counterextension. The purpose of the study was not to assess how the two branding strategies-solo branding versus cobranding influence the evaluation of the first extension by Brand A_1, because the issue has been addressed in prior research. Rather, the purpose was to examine how these two strategies influence the evaluation of the second extension, or counterextension, launched subsequently by Brand B into the parent category of Brand A_1. The participants in the study were adults who were intercepted in a shopping area and asked to complete a questionnaire after receiving information about hypothetical brand extensions and counterextensions of real brands. I used real brands in the study because I wanted the participants to have some prior beliefs about the relationships between the brands and their respective product categories. However, I used hypothetical extensions because I wanted participants to respond to the study manipulations.

Prestests

I selected the product categories and the brands used to construct the stimuli for the study on the basis of a series of pretests that were designed to address several objectives. The first objective was to find three somewhat related product categories across which customers perceived (1) extensions and counterextensions to be moderately feasible but not trivial and (2) the skill transferability to be moderately high and reasonably symmetric.[3] The second objective was to identify one brand within each category that was well liked and strongly associated with its parent category. These considerations helped ensure that participants cared about the brands and were responsive to their extension activity. The third objective was to find two brands, A_1 and A_2, that were complementary with respect to key attributes that could be pooled to constitute the key attributes of the third or extension category to which Brand B belonged. The fourth objective was to ensure that the solo-branded extension of each parent brand and the cobranded extension were considered feasible. The participants in each pretest were adult men and women who were randomly intercepted at a shopping area; they each received $2 for their participation.

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[3] If the categories are extremely dissimilar, the evaluation of a counterextension is likely to be unfavorable regardless of the branding strategy that the previous extension adopted. However, there are also less likely to be extensions across dissimilar categories.

Pretests 1 and 2. The objective of the first two pretests was to identify three related categories and one reasonably well-liked brand with a strong brand-to-category relationship in each category. In the first pretest, 25 shoppers were presented with a list of brand names of products available in the supermarket. The list consisted of brands that focused largely on a single product category. The participants were asked to list all the products they associated with each brand name. On the basis of this pretest, popcorn, corn crisps, and potato chips were selected as the three product categories. Furthermore, on the basis of the high levels of brand-to-category association that participants reported, Redenbacher's, Bugles, and Jays were selected as the respective brands in these categories. In the second pretest, 20 shoppers were asked to evaluate each of the three chosen brands, on a two-item ("like it a lot /don't like it at all" and "favourable /unfavorable"), seven-point scale. The average evaluation of each of the three brands was moderately high ($\bar{X}_{\text{Jays}}$ = 5.80, $\bar{X}_{\text{Redenbacher's}}$ = 5.77, $\bar{X}_{\text{Bugles}}$ = 5.42).

Pretest 3. The objective of the third pretest was to assess the perceptions of intercategory similarity and skill transferability across the popcorn, corn crisps, and potato chips categories. A new sample of 19 shoppers completed a questionnaire. They reported their perceived pairwise similarity among the three categories on a four-item (needs satisfied, occasions used, skills required, and features; ingredients and attributes), seven-point scale (Cronbach's alpha ranged from .88 to .91). The average similarity rating between corn crisps and potato chips ($\bar{X}$ = 4.30) and between corn crisps and popcorn ($\bar{X}$ = 4.12) was moderately high and statistically indistinguishable (t_{18} =1.11, $p > .10$).

Furthermore, the perceived difficulty for a popcorn, manufacturer to make good corn crisps, which was measured on a seven-point scale ("not difficult at all/very difficult"), was moderately high ($\bar{X}$ = 3.72) and statistically no different from the perceived difficulty for a corn crisps manufacturer to make good popcorn ($\bar{X}$ = 3.83, t_{18} = -.09, $p > .10$). Similarly, the perceived difficulty for a potato chips manufacturer to make good corn crisps was moderately high ($\bar{X}$ = 3.26) and statistically no different from the perceived difficulty for a corn crisps manufacturer to make good potato chips ($\bar{X}$ = 3.57, t_{18} = .32, $p > .10$).

Pretest 4. The objective of the fourth pretest was to examine the strength of association between each of the three brands and a set of attributes that characterized the salted-snacks category to which the three brands belonged. An item pool of the salient attributes of the category was generated, and 30 adult shoppers rated each of the three brands on every attribute on a seven-point scale ("do not associate at all/strongly associate"). All three brands rated moderately low on two attributes: healthy and low calorie (mean ratings were between 3.63 and 4.03). Redenbacher's and Bugles were strongly associated with corn (mean ratings were 5.43 and 5.30, respectively), whereas Jays was not (mean rating was 2.14). In contrast, Jays was strongly associated with potato (mean rating was 5.03), whereas Redenbacher's and Bugles were not (mean ratings were 2.36 and 2.76, respectively). Furthermore, Redenbacher's was rated lower on crunchy (mean rating was 4.10) than were both Bugles and Jays (mean ratings were 5.76 and 5.53, respectively). The ratings for the three brands on the remaining attributes-snack, salty, delicious, for parties, inexpensive, and convenient were similar and moderately high. The pretest provided corn and crunchy as the two attributes that were related to the popcorn and potato chips brands, respectively. Furthermore, both attributes were related to the corn crisps brand.

The participants also rated the feasibility of an extension into the corn crisps category under four alternative branding scenarios on a three-item ("not difficult at all/very difficult," "not feasible at all/feasible," and "not advisable at all/advisable"), seven-point scale. The four brand names were Jays, Redenbacher's, Jays Redenbacher's, and Redenbacher's Jays. Participants also reported their evaluation of the extensions using a four-item ("low quality/high quality," "inferior/superior," "negative/positive," and "not likely to try/very likely to try") scale. The feasibility ratings of the extension were similar (mean ratings were between 4.42 and 4.62) across the four branding scenarios. In addition, the evaluation of the extension was similar across the four scenarios (mean ratings were between 4.58 and 4.88). On the basis of the pretests, I selected popcorn and potato chips as the two parent categories and Redenbacher's and Jays, respectively, as the two parent brands. I also selected corn crisps as the extension category and Bugles as the brand that launched the counterextension.

Procedure and Measurements

The participants in the main study were 150 adult men and women who were intercepted in a shopping area and were given information about hypothetical brand extensions and counterextensions of real brands. Two factors were manipulated in a 5 x 2 between-subjects design. The first factor was the brand name under which the first extension was launched into the corn crisps category. This factor was manipulated at five levels: Jays, Redenbacher's, Jays Redenbacher's, Redenbacher's Jays, and control. There was no mention of a previous or first extension in the control condition (see Figure 1, Panel A). The second factor was the product category (popcorn versus potato chips) into which the counterextension was launched under the Bugles brand name.

The participants, who were each paid $5 for their cooperation, were randomly assigned to the various conditions, and they individually completed the study at their own pace. The cover story that accompanied the questionnaire contained an excerpt, supposedly from an article in a popular business magazine, about new products that were recently introduced into the marketplace. It described seven hypothetical brand extensions of real brands that were either successful and well received or unsuccessful and poorly received by the market. Six of these seven products, which were divided into two equal groups of successful and failed products, were held constant across the ten conditions. The seventh product was the focal successful extension into the corn crisps category and was manipulated across the treatments according to the experimental design. The story also listed two new products that were soon to be launched in the market. One of these was held constant across all conditions. The other was a brand extension of Bugles into either the potato chips or the popcorn category. The participants were told that the two new products were not yet available but that their responses toward one of them were of interest.

Dependent Measures

The participants provided data on several measures, including their overall evaluation of the Bugles counterextension, on a 4-item ("low quality/high quality," "inferior/superior," "negative/positive," "not likely to buy/very likely to buy"), seven-point scale (Cronbach's α = .90). They also reported their perceptions of the similarity between the corn crisps category and the category into which the Bugles counterextension was launched on a four-item (needs satisfied, occasions used, skills required, and features; ingredients and attributes), seven-point scale (Cronbach's α = .91). They reported their familiarity with the Bugles brand using a three-item (familiar, heard of, can recognize), seven-point scale (Cronbach's α = .87), and they were asked if they recalled whether the focal brand extension mentioned in the business story was a success or a failure on a seven-point ("big success/big failure") scale. The last item served as a manipulation check.

Results

I began by examining the participants' reported ratings for whether the focal extension into the corn crisps category was a success or a failure. The mean rating across the eight groups, excluding the two control groups, was high ($\bar{X}$ = 5.60), indicating that the participants noted the focal extension to be successful.

Overall evaluation of the brand counter extension. Figure 2 displays the mean evaluation of the Bugles counterextension across the ten conditions. I analyzed the evaluation data using a two-way analysis of variance (ANOVA); the brand name of the first extension and the product category into which the counterextension was launched were the two between-subject factors, and familiarity with Bugles was the covariate. The covariate did not interact with the treatments or the treatment interactions ($p > .10$). The results of the ANOVA show that the treatments had an effect on the overall evaluation of the Bugles counterextension (F(10, 139) = 8.43, $p < .01$). The familiarity covariate was significant (F(1, 139) = 5.35, $p < .05$).

The difference between the mean evaluation of the Bugles counterextension into the popcorn and the potato chips categories was not statistically significant (F(1, 139) = .09, $p > .10$). However, the brand name under which the first extension was launched (F(4, 139) = 6.24, $p < .01$) and its interaction with the counterextension product category (F(4, 139) = 13.47, $p < .01$) had a significant effect on the evaluation of the Bugles counterextension.

Consistent with H_1, the Bugles counterextension into the popcorn category was evaluated more favorably in the condition in which Redenbacher's had previously launched a solo-branded extension into the corn crisps category ($\bar{X}$ = 5.53) than in the control condition in which there was no previous extension into the corn crisps category ($\bar{X}$ = 3.70, F(1, 27) = 20.03, $p < .01$). Similarly, the Bugles counterextension into the potato chips category was evaluated more favorably in the condition in which Jays had previously launched a solo-branded extension into the corn crisps category ($\bar{X}$ = 5.41) than in the control condition in which there was no previous extension ($\bar{X}$ = 3.80, F(1, 27) = 36.43, $p < .01$).

Next, I testedH_2 for the Bugles counterextension into the popcorn category by comparing the mean evaluation in the condition in which the previous extension by Redenbacher's was solo branded with the average of the mean evaluation across the two conditions in which the extension was cobranded. I found that the Bugles counterextension into the popcorn category was evaluated less favorably when the previous extension into the corn crisps category was cobranded ($\bar{X}$ = 4.58) than when it was solo branded by Redenbacher's (F(1, 41) = 34.51, $p < .01$). I repeated the analysis to test the hypothesis for the Bugles counter-extension into the potato chips category. Again, I found that the Bugles counterextension into the potato chips category was evaluated less favorably when the previous extension into the corn crisps category was cobranded ($\bar{X}$ = 4.52) than when it was solo branded by Jays (F(1, 41) = 21.99, $p < .01$).

Furthermore, consistent with H_3, I found that the Bugles counterextension into the popcorn category was evaluated more favorably when the preceding extension into the corn crisps category was launched under the Redenbacher's Jays brand name ($\bar{X}$ = 5.00) than when it was launched under the Jays Redenbacher's brand name ($\bar{X}$ = 4.16, (F(1, 27) = 20.25, $p < .01$). In contrast, the Bugles counterextension into the potato chips category was evaluated less favorably when the preceding extension into the corn crisps category was launched under the Redenbacher's Jays brand name ($\bar{X}$ = 4.25) than when it was launched under the Jays Redenbacher's brand name ($\bar{X}$ = 4.88, (F(1, 27) = 15.87, $p < .05$).

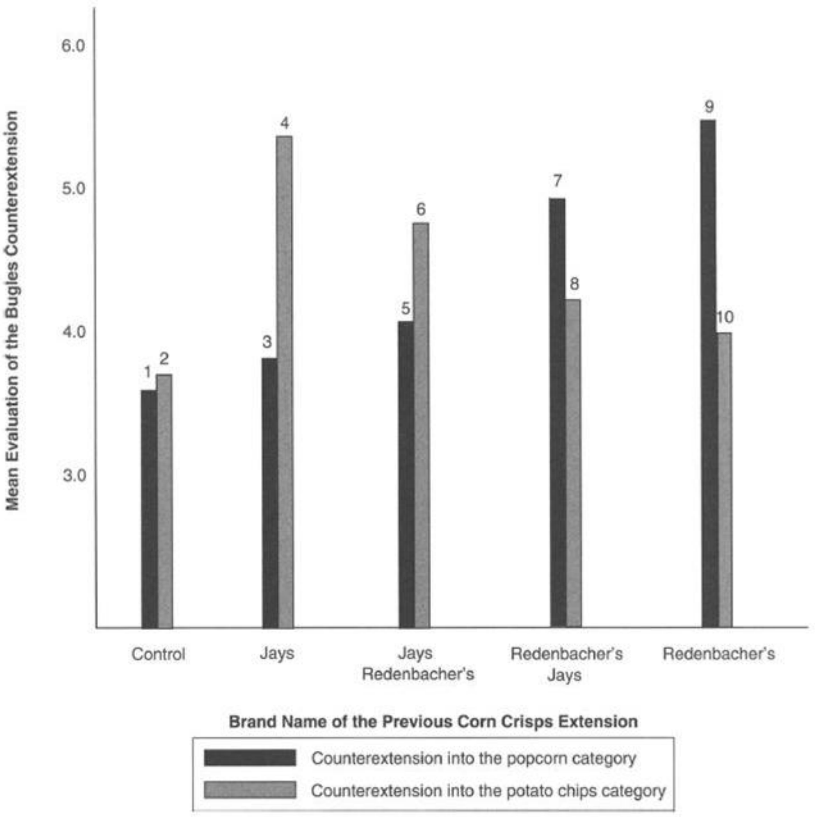
Finally, I examined whether cobranding the previous extension lowered the evaluation of the counterextension to the same level as that in the control condition in which no extension had previously been launched. Therefore, for both the popcorn and potato chips categories, I separately compared the average of the treatment means for the two cobranding conditions with the treatment mean for the respective control conditions. I found that the difference in the evaluation of the counterextension between the cobranding conditions and the control condition was significant for both the popcorn category (F(1, 41) = 8.22, $p < .01$) and the potato chips category (F(1, 41) = 20.46, $p < .01$).

Similarity. A two-way ANOVA of the reported similarity ratings showed significant treatment effects (F(9, 140) = 7.70, *p* < .01). The main effect of the product category into which the counterextension was launched was not significant (F(1,140) = .65, *p* > .10). However, the brand name of the previous extension (F(4, 140) = 5.97, *p* < .01) and its interaction with the product category into which the counterextension was launched (F(4, 140) = 11.20, *p* < .01) had a significant effect on the reported similarity ratings.

The similarity between the popcorn and the corn crisps categories was rated higher when Redenbacher's had launched the previous solo-branded extension ($\bar{X}$ = 5.65) than it was in the control condition in which there was no previous extension ($\bar{X}$ = 3.45, F(1, 28) = 36.79, *p* < .01). The similarity rating was lower when the previous extension was cobranded ($\bar{X}$ = 4.39) than when it was solo branded by Redenbacher's (F(1, 42) = 28.50, *p* < .01). Finally, similarity was rated higher when Redenbacher's was the header brand in the previous cobranded extension ($\bar{X}$ = 4.75) than when it was the modifier brand ($\bar{X}$ = 4.03, F(1, 28) = 6.00, *p* < .01).

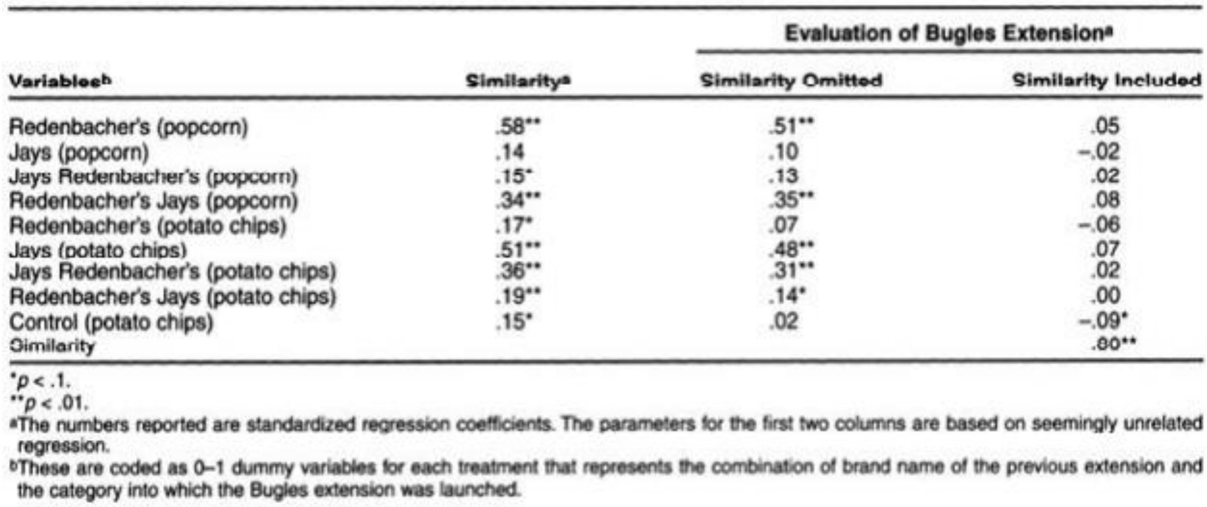
Likewise, the reported similarity between the potato chips and the corn crisps categories was higher when Jays had previously launched a solo-branded extension ($\bar{X}$ = 5.38) than it was in the control condition in which there was no previous extension ($\bar{X}$ = 4.03, F(1, 28) = 19.66, *p* < .01). Similarity was rated lower when the previous extension was cobranded ($\bar{X}$ = 4.50) than when it was solo branded by Jays (F(1, 42) = 15.40, *p* < .01). Finally, similarity was rated higher when Jays was the header brand in the previous cobranded extension ($\bar{X}$ = 4.83) than when it was the modifier brand ($\bar{X}$ = 4.16, F(1, 42) = 4.02, *p* < .05).

Figure 2: Results summary for the impact of cobranding on the evaluation of the counterextension



Notes: The evaluation of the Bugles counterextension into the potato chips category was greater when the previous extension by Jays into the corn crisps category was solo branded (4) than when it was cobranded with Redenbacher's (6, 8). The evaluation of the Bugles counterextension into the popcorn category was greater when the previous extension by Redenbacher's into the corn crisps category was solo branded (9) than when it was cobranded with Jays (5, 7). The Bugles counterextension into potato chips was evaluated more favorably when Jays was the header brand in the previous cobranded extension (6) than when it was the modifier brand (8). The counterextension into popcorn was evaluated more favorably when Redenbacher was the header brand (7) than when it was the modifier brand (5).

Table 1: Study 1 Mediation analysis parameter estimates



Variables[b]	Similarity[a]	Evaluation of Bugles Extension[a] Similarity Omitted	Similarity Included
Redenbacher's (popcorn)	.58**	.51**	.05
Jays (popcorn)	.14	.10	–.02
Jays Redenbacher's (popcorn)	.15*	.13	.02
Redenbacher's Jays (popcorn)	.34**	.35**	.08
Redenbacher's (potato chips)	.17*	.07	–.06
Jays (potato chips)	.51**	.48**	.07
Jays Redenbacher's (potato chips)	.36**	.31**	.02
Redenbacher's Jays (potato chips)	.19**	.14*	.00
Control (potato chips)	.15*	.02	–.09*
Similarity			.80**

*$p < .1$.
**$p < .01$.
[a] The numbers reported are standardized regression coefficients. The parameters for the first two columns are based on seemingly unrelated regression.
[b] These are coded as 0–1 dummy variables for each treatment that represents the combination of brand name of the previous extension and the category into which the Bugles extension was launched.

I conducted additional analyses to test whether the perceptions of similarity between the corn crisps category and the parent category into which the counterextension was launched mediated the relationship between the manipulated variables and the evaluation of the Bugles counterextension (Baron and Kenny 1986). I ran seemingly unrelated regressions with intercategory similarity and the evaluation of the Bugles counterextension as the two independent variables and 0 – 1 dummy variables representing each of the nine conditions, excluding the control condition for the popcorn category. The results of this analysis, which appear in the second and third columns of Table 1, show that the experimental treatments had an effect on similarity (i.e., the potential mediating variable) and on the evaluation of the counterextension (i.e., the dependent variable). Next, I added similarity to the regression of the evaluation of the counterextension and examined the changes in the parameters of the independent variables. The results, which appear in the fourth column of Table 1, show that when similarity was added to the regression model, the parameters for the other variables weakened and were, at best, marginally significant ($p < .10$). However, the parameter for similarity was statistically significant ($p < .01$). These results provide strong evidence in support of the theoretical premise that perceptions of intercategory similarity mediate the relationship between the extension strategy pursued by Brand A_1 and the evaluation of the counterextension by Brand B.[4]

Discussion

The results from Study 1 support H_1-H_3 regarding the evaluation of brand counterextensions. These results can be summarized as follows (see Figure 2):

- The extension by Brand B into the category of Brand A_1 was evaluated more favorably when Brand A_1 had previously launched a successful solo-branded extension into the category of Brand B than when it had not launched an extension (H_1).
- Cobranding the first extension with a partner brand, A_2, resulted in a lower evaluation of a counterextension by Brand B than did solo branding the extension by Brand A_1 (H_2).
- The counterextension was evaluated less favorably when the focal brand, A_1, was the modifier brand rather than the header brand in the previous cobranded extension (H_3).
- Even with cobranding, the counterextension was evaluated more favorably than if no previous extension had been launched at all.

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[4] The results from repeating the mediation analysis using a step- down ANOVA also provide evidence for strong partial mediation of similarity. Specifically, when I ran a two-way ANOVA of the evaluation data with familiarity and similarity as covariates, the effects of familiarity (F(1,138) = 4.78, $p < .01$) and product category (F(1, 138) = 2.54, $p > .10$) were not significant, and the effect of brand name of the previous extension was not significant (F(4, 138) = 1.42, $p > .10$). The interaction between the brand name and the product category was still significant (F(4, 138) = 2.64, $p < .05$), but it was much weaker. The effect of similarity was significant (F(1,138) = 261.97, $p < .01$).

The results of the mediation analysis support the theoretical premise that cobranding may lead to a less favorable evaluation of a counterextension because it results in a smaller improvement in the perceptions of similarity between a brand's parent and extension categories than does a solo-branded extension.

STUDY 2

The premise underlying Study 1 was that a successful solo-branded extension improves the perceptions of intercategory similarity and enhances the evaluation of a counter-extension. By implication, a failed solo-branded extension should preserve the distinction between the parent and extension categories and should not improve the evaluation of the counterextension. Therefore, cobranding should result in a lower evaluation of a counterextension relative to a successful solo-branded extension but not relative to a failed solo-branded extension. I address this issue in Study 2 and examine whether a counterextension that follows a cobranded extension is evaluated more or less favorably than a counterextension that follows either a successful or a failed solo-branded extension.

Design and Procedure

The overall design, cover story, and procedure for Study 2 were similar to those used in Study 1. I used a 4 x 2 between-subjects study design to manipulate the variables of interest. The first factor was the previous brand extension activity into the corn crisps category. The four levels of this factor were (1) failed solo-branded extension, (2) successful solo-branded extension, (3) successful cobranded extension with the parent brand as the header, and (4) a control condition in which there was no previous extension. The second factor was the parent category (popcorn versus potato chips) into which the counterextension was launched. A total of 160 adults who were intercepted at a shopping area participated in the study; they were randomly assigned to the experimental conditions and were paid $5 for their cooperation. The key dependent measure was the overall evaluation of the Bugles counterextension (Cronbach's $\alpha = .90$).

Results

Overall evaluation of the brand counter extension. As a manipulation check, I compared the reported ratings for the success versus failure of the previous extension into the corn crisps category. The extension was rated more successful in the success conditions ($\bar{X} = 5.47$) than in the failure conditions ($\bar{X} = 1.77$, $t_{1\,19} = 22.79$, $p < .01$), which shows that the manipulation of the success versus failure of the previous extension was successful.

Figure 3 displays the mean evaluation of the Bugles counterextension across the eight conditions. I analyzed the evaluation data using a two-way ANOVA with the previous extension activity and the counterextension category as the two between subject factors and familiarity with Bugles as a covariate. The covariate did not interact with the treatments or the treatment interactions ($p > .10$). The results of the ANOVA show that the treatments had an effect on the overall evaluation of the Bugles counterextension ($F(8, 151) = 7.80$, $p < .01$). The effect of the familiarity covariate was significant ($F(1, 151) = 14.25$, $p < .01$). The main effect of the product category into which the counter-extension was launched was not significant ($F(1,151) = .24$, $p > .10$). This shows that the Bugles counterextensions into the popcorn and the potato chips categories were evaluated similarly. However, the main effect of the previous brand extension activity was significant ($F(3, 151) = 15.70$, $p < .01$), whereas its interaction with the counterextension product category was not ($F(3, 151) = .27$, $p > .10$). The Bugles counterextension into the popcorn category was evaluated more favorably when the preceding solo-branded extension into the corn crisps category by Redenbacher's was a success ($\bar{X} = 5.35$) than when it was a failure ($\bar{X} = 4.06$, $F(1, 37) = 14.11$, $p < .01$). Similarly, the Bugles counterextension into the potato chips category was evaluated more favorably when the solo-branded extension into the corn crisps category by Jays was a success ($\bar{X} = 5.38$) than when it was a failure ($\bar{X} = 4.32$, $F(1, 37) = 13.22$, $p < .01$). [5]

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[5] There was no difference between the evaluation of the popcorn counterextension in the condition in which the preceding solo-branded extension into the corn crisps category by Redenbacher's was a failure and that in the control condition in which there was no preceding extension ($\bar{X} = 4\ 15$, $F(1, 37) = .\ 37$, $p > .10$). Similarly, there was no difference between the evaluation of the potato chips counterextension in the condition in which the preceding solo-branded extension by Jays was a failure and that in the control condition in which there was no preceding extension ($\bar{X} = 4.10$, $F(1, 37) = .53$, $p > .10$).

Furthermore, as in Study 1, the evaluation of the counterextension into the popcorn category was less favorable when the preceding extension into the corn crisps category was launched jointly under the Redenbacher's Jays brand name ($\bar{X}$ = 4.73) than when it was successfully launched by Redenbacher's ($\bar{X}$ = 5.35, F(1, 37) = 10.90, *p* < .01). Similarly, the evaluation of the counterextension into the potato chips category was less favorable when the preceding extension was launched under the Jays Redenbacher's brand name ($\bar{X}$ = 4.79) than when it was launched as a solo-branded extension by Jays (F(l, 37) = 4.11, *p* < .05).

More important, the counterextension into the popcorn category was evaluated more favorably when the previous extension by Redenbacher's was cobranded than when it was solo-branded but a failure (F(1, 37) = 5.20, *p* < .05). Similarly, the Bugles counterextension into the potato chips category was evaluated more favorably when the previous extension by Jays was cobranded than when it was solo branded but a failure (F(l, 37) = 4.79, *p* < .05).

Similarity. A two-way ANOVA of the similarity data shows that the main effect of the prior extension activity was significant (F(3, 152) = 22.03, *p* < .01). The main effect of the product category into which the counterextension was launched (F(1 , 152) = .74, *p* > .10) and its interaction with the prior extension activity (F(3, 152) = .47, *p* > .10) were both not significant.

The mean similarity rating was higher when the solo-branded extension by Redenbacher's was a success ($\bar{X}$ = 5.71) than when it was a failure ($\bar{X}$ = 4.01, F(1, 38) = 39.98, *p* < .01). The mean similarity rating was higher when the solo-branded extension by Jays was a success ($\bar{X}$ = 5.67) than when it was a failure ($\bar{X}$ = 4.38, F(1, 38) = 38.89, *p* < .01). However, the difference in similarity between the condition in which Redenbacher's solo-branded extension was a failure and the control condition ($\bar{X}$ = 4.33, F(1, 38) = .78, *p* > .10) was not significant. Likewise, the difference in similarity between the condition in which the Jays solo-branded extension was a failure and the control condition ($\bar{X}$ = 4.51, F(l, 38) = .21, *p* > .10) was not significant. Finally, similarity was lower when the preceding extension was launched jointly under the Redenbacher's Jays brand name ($\bar{X}$ = 4.97) than when it was successfully launched by Redenbacher's (F(1, 38) = 10.79, *p* < .01). Similarity was also lower when the preceding extension was launched jointly under the Jays Redenbacher's brand name ($\bar{X}$ = 4.95) than when it was successfully launched by Jays (F(1, 38) = 8.56, *p* < .01).

Next, I conducted additional analyses to test for the mediating effect of similarity, using a procedure similar to the one I adopted for Study 1. I first ran seemingly unrelated regressions with intercategory similarity and the evaluation of the Bugles counterextension as the two independent variables and 0-1 dummy variables representing each of the seven conditions, excluding the control condition for the popcorn category. The results of this analysis appear in the second and third columns of Table 2. These results show that the experimental treatments had an effect on similarity (i.e., the potential mediating variable) as well as on the evaluation of the counterextension (i.e., the dependent variable.

However, when I added similarity to the regression of the evaluation of the counterextension, the parameters for the other variables weakened and were, at best, marginally significant (p < .10). However, the parameter for similarity was statistically significant (p < .01). These results are consistent with the premise that perceptions of intercategory similarity mediate the relationship between the branding strategy and the outcome of the previous extension and the evaluation of the counterextension.[6]

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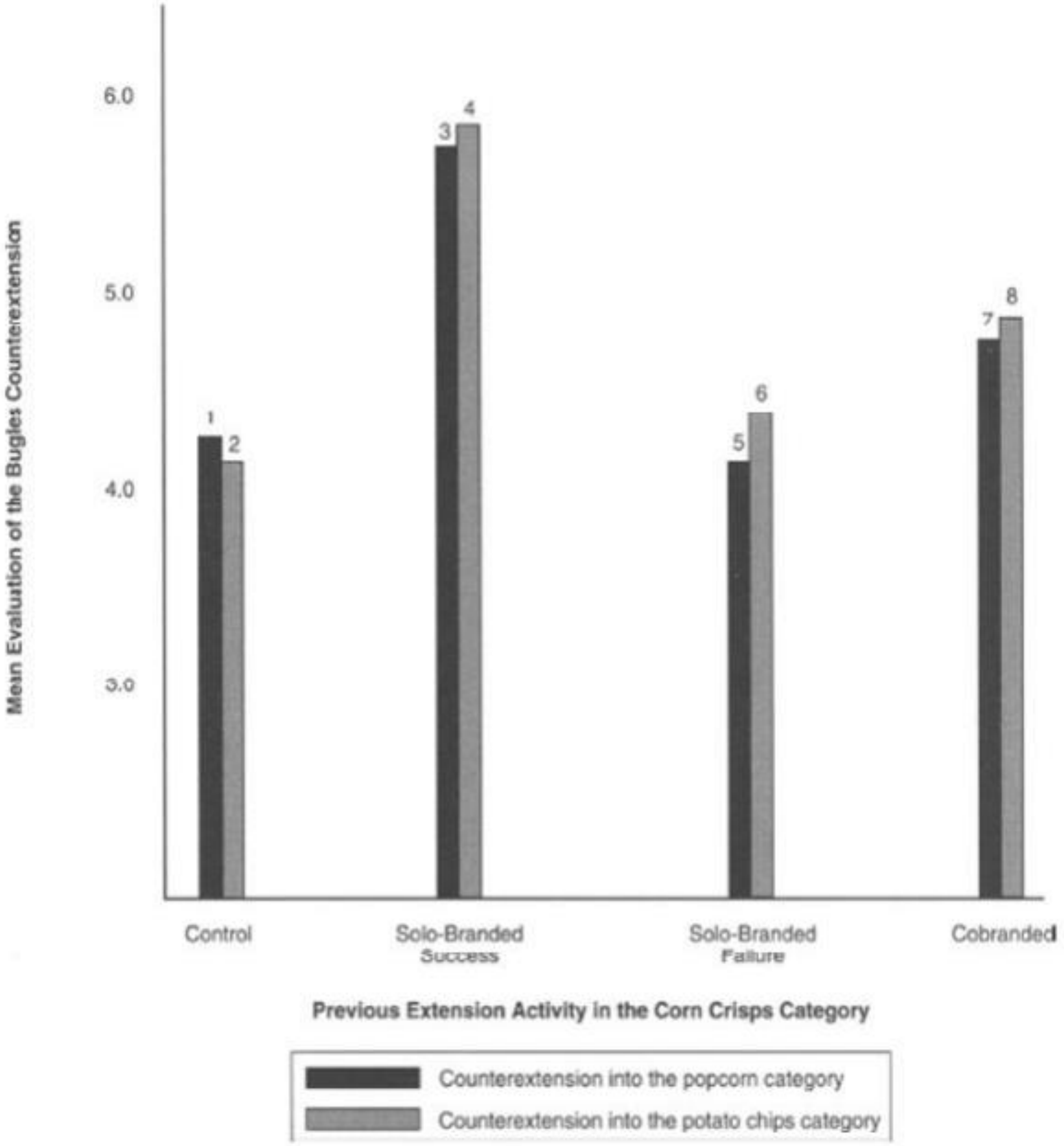
[6] The results from repeating the mediation analysis using a step- down ANOVA also provide evidence for a mediating effect of similarity. Specifically, when I analyzed the evaluation data using a two-way ANOVA with familiarity and similarity as covariates, the effects of familiarity (F(1, 150) = 1.72, *p* > .1) and product category (F(1,150) = .01, *p* > .10) were not significant. The effect of prior extension activity was significant but substantially weakened (F(3, 150) = 2.91, *p* < .05), and its interaction with the product category was not significant (F(3, 150) = .21, *p* > .10). The effect of similarity was significant (F(1,150) = 49.24, *p* < .01). However, as I reported previously, the prior extension activity had a significant effect in the ANOVAs for both evaluation (i.e., the dependent variable) and similarity (i.e., the mediating variable).

Figure 3: Study 2: Results Summary for the Impact of Cobranded Versus Successful and Failed Solo-Branded Extensions on the Evaluation of the Counterextension

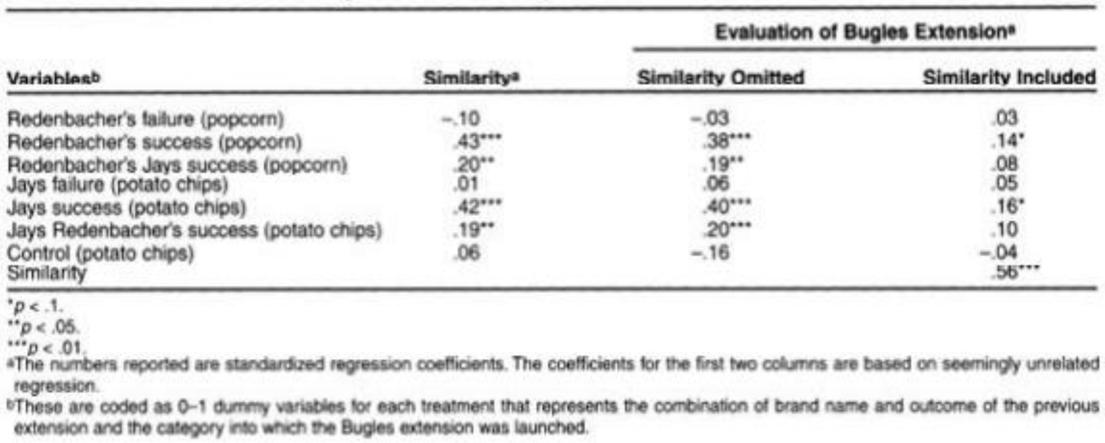


Notes: The evaluation of the counterextensions was greater than that in the control conditions (1–2) when the previous solo-branded extension by the focal brand was a success (3–4) but not when it was a failure (5–6). The evaluation of the counterextension in the conditions in which the focal brand's previous extension was cobranded (7–8) was smaller than that in the conditions in which the focal brand's previous solo-branded extension was a success (3–4) but greater than that in the conditions in which the previous solo-branded extension was a failure (5–6).

Discussion

The results of Study 2 suggest that cobranding results in a lower evaluation of a counterextension relative to a successful solo-branded extension but not relative to a failed solo-branded extension. The results show that a failed solo-branded extension does not lead to an improvement in customer evaluation of a counterextension, because it is less likely to change perceptions of similarity between the parent and extension categories.

Table 2: Study 2: Mediation Analysis Parameter Estimates



Variables[b]	Similarity[a]	Evaluation of Bugles Extension[a] Similarity Omitted	Evaluation of Bugles Extension[a] Similarity Included
Redenbacher's failure (popcorn)	–.10	–.03	.03
Redenbacher's success (popcorn)	.43***	.38***	.14*
Redenbacher's Jays success (popcorn)	.20**	.19**	.08
Jays failure (potato chips)	.01	.06	.05
Jays success (potato chips)	.42***	.40***	.16*
Jays Redenbacher's success (potato chips)	.19**	.20***	.10
Control (potato chips)	.06	–.16	–.04
Similarity			.56***

*$p < .1$.
**$p < .05$.
***$p < .01$.
[a] The numbers reported are standardized regression coefficients. The coefficients for the first two columns are based on seemingly unrelated regression.
[b] These are coded as 0–1 dummy variables for each treatment that represents the combination of brand name and outcome of the previous extension and the category into which the Bugles extension was launched.

STUDY 3

In Study 1, I used hypothetical extensions and counterextensions of real brands to test Hi-H_3. Although the use of real brand names made the study realistic and gave it some degree of external validity, the results may have been driven in part by participants' brand-specific associations with the brands that I used to construct the stimuli. To rule out non-category-related associations as potential explanations for the findings, I conducted a third study with the same context as in Study 1 but without real brand names.

Design and Procedure

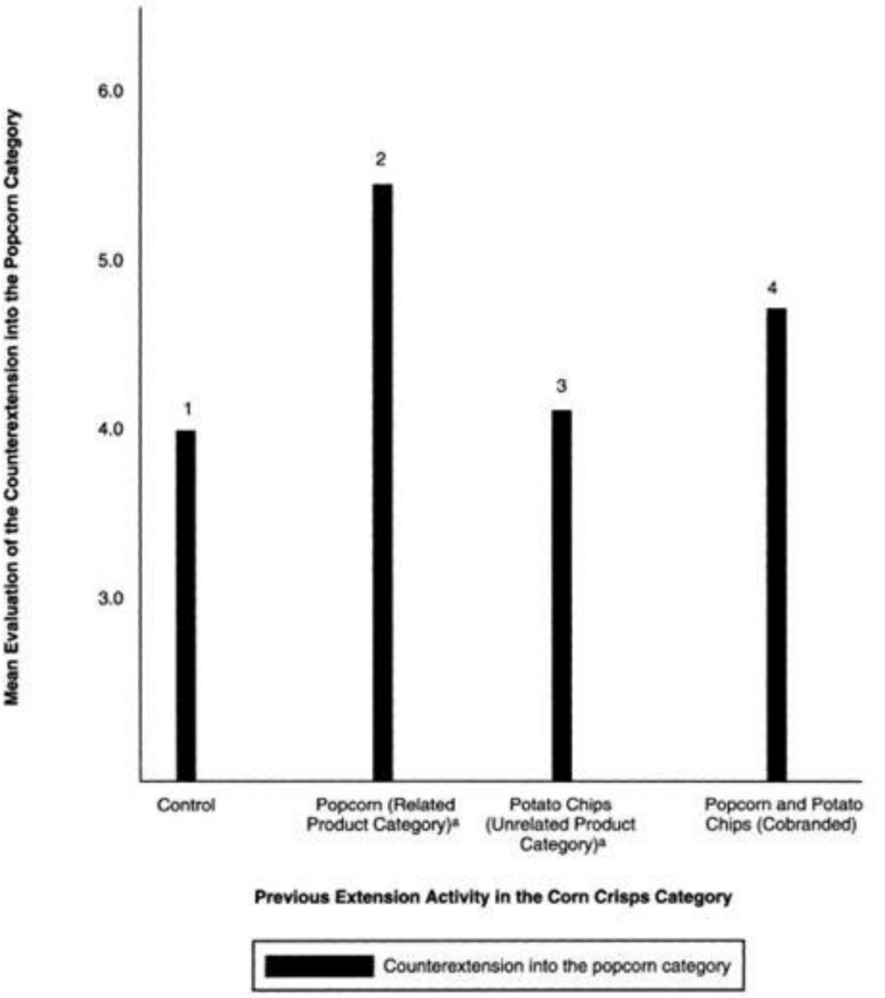
The stimuli and the cover story for the study were similar to those used in Study 1 except for one difference: The products in the cover story and in the questionnaire were referred to by their category names rather than their brand names. For example, I used the descriptor "a popcorn brand" instead of the brand name "Redenbacher's" to refer to one of the parent brands. I used a 4 x 1 between-subjects study design and manipulated the brand name of the previous extension into the corn crisps category at four levels: (1) a popcorn brand, (2) a potato chips brand, (3) a joint extension by a popcorn and a potato chips brand, and (4) a control. There was no mention of a previous extension into the corn crisps category in the control condition. A total of 72 adult men and women, who were intercepted at a shopping area, participated in the study, and they were each paid $5 for their cooperation. The key dependent measure was the overall evaluation of a counterextension into the popcorn category by a corn crisps brand (Cronbach's α = .93).

Results

Overall evaluation of the brand counter extension. Figure 4 displays the mean evaluations of the counterextension into the popcorn category across the four treatments. A one way ANOVA of the evaluation data shows a significant treatment effect (F(3, 68) = 7.56, *p* > .01). Consistent with H_1, the focal counterextension into the popcorn category was evaluated more favorably when a popcorn brand had launched the preceding brand extension into the corn crisps category ($\bar{X}$ = 5.23) than it was in the control condition in which there was no mention of any preceding extension ($\bar{X}$ = 3.84, F(1, 34) = 14.37, *p* < .01).

Furthermore, consistent with H_2, the evaluation of the counterextension was less favorable when the preceding extension was launched jointly as a cobranded extension of a popcorn brand and a potato chips brand ($\bar{X}$ = 4.61) than when it was launched as a solo-branded extension by a popcorn brand (F(1, 34) = 6.06, *p* < .01). Finally, the evaluation of the counterextension in the control condition was statistically indistinguishable from that in the condition in which the preceding extension was launched by a brand from the potato chips product-market, an unrelated category ($\bar{X}$ = 4.19, F(1, 34) = .97, *p* > .10). To summarize, a previous corn crisps extension by a popcorn brand, but not a potato chips brand, improved the evaluation of a

Figure 4: Study 3: Results Summary for the Impact of Cobranding Versus Solo Branding on the Evaluation of the Counterextension



ªThe terms "related" and "unrelated" are used here to mean that a previous corn crisps extension by a popcorn brand, but not by a potato chips brand, improved the evaluation of a subsequent popcorn extension by a corn crisps brand.

Notes: The counterextension was evaluated less favorably when the focal brand's previous extension into the category of the brand that launched the counterextension was cobranded (4) than when it was solo branded (2). The mean evaluation of the counterextension in the condition in which a product from an unrelated category had previously extended into the category of the brand that launched the counterextension (3) was no different from that in the control condition (1).

subsequent popcorn extension by a corn crisps brand. However, the evaluation of the popcorn extension was lowered if the previous corn crisps extension was cobranded by a popcorn and a potato chips brand.[7]

Similarity. The results of a one-way ANOVA of the similarity data show a significant treatment effect (F(3, 68) = 838, $p < .01$). The mean similarity in the control condition ($\bar{X}$ = 3.84) was lower than it was in the condition in which the previous solo-branded extension was launched by a popcorn brand ($\bar{X}$ 5.22, F(1, 34) = 25.85, $p < .01$), but it was statistically indistinguishable from that in the condition in which the previous solo-branded extension was launched by a potato chips brand ($\bar{X}$ = 4.23, F(1, 34) = 1.82, $p > .10$). The similarity in the condition in which the previous extension was cobranded was lower ($\bar{X}$ = 4.68) than that in the condition in which the extension was solo branded by a popcorn brand (F(l, 34) = 3.85, $p < .05$).

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[7] The key results of Study 3 were replicated in a follow-up study with 80 participants that involved a different set of products. The study design and manipulations were similar to those in Study 3 except that Brand A_1 belonged to the face wash category, Brand A_2 to the body lotion category, and Brand B to the body wash category. The evaluation of a counterextension by a body wash brand into the face wash category was higher when the previous extension by a face wash brand into the body wash category was solo branded ($\bar{X}$= 5.38) than when it was cobranded with a body oil brand ($\bar{X}$ = 4.87, F(1, 38) = 11.92, $p < .01$). The evaluation of the counterextension in the control condition in which there was no previous extension into the face wash category ($\bar{X}$ = 4.42) was lower than that in the condition in which a face wash brand had previously launched a solo-branded extension into the body wash category (F(1, 38) = 19.75, $p < .01$), but it was statistically indistinguishable from the evaluation in the condition in which a body oil brand had previously launched an extension into the face wash category ($\bar{X}$ = 4.68, F(l, 38) = .92, $p > .10$). Additional analyses showed that the perceptions of similarity between the face wash and body wash categories mediated the relationship between the manipulated variables and the evaluation of the counterextension.

The results from a mediation analysis, which I conducted using a procedure similar to the one I used in the previous two studies, appear in Table 3. They show that both intercategory similarity ratings and overall evaluation ratings in the conditions in which the prior extension was launched by the popcorn brand or jointly by the popcorn and the potato chips brands were higher than were those in the control condition ($p < .01$). However, when similarity was added as an independent variable to the regression model for overall evaluation, the parameters for the other variables weakened and were no longer statistically significant ($p > .10$ for each). However, the parameter for similarity was statistically significant ($p < .01$).[8]

Discussion

The results from Study 3 closely parallel those from Study 1 and provide further support to the hypothesis that the evaluation of a brand counterextension is lower when the preceding extension is cobranded with a partner than when it is solo branded. This effect was observed both with real brand names and without them. The results in both cases support the theoretical premise that intercategory similarity mediates the relationship between the choice of a solo-branding versus a cobranding extension strategy and the evaluation of a counterextension. Furthermore, in both studies, although cobranding lowered the evaluation of a counterextension, it was still higher than that in the condition in which the focal brand had not launched an extension at all. When this finding is interpreted in conjunction with the results of the mediation analyses, it suggests that cobranding reduces, but does not fully suppress, the increase in the intercategory similarity that results from launching a successful extension.

STUDY 4

Study 4 was designed to test H_4 regarding the impact of alternative communication and positioning strategies for a cobranded extension on the evaluation of a counterextension. It specifically focuses on whether a positioning strategy that explicitly communicates the attribute-level contribution of the two partner brands to the cobranded extension results in a lower evaluation of the counterextension than a strategy that does not.

Design and Procedure

The stimulus material in the study was the same as that used in Study 1, except that the cover story described not only the cobranded extension into the corn crisps category but also the headline and the slogan from its advertisement. I used a 2 x 2 between-subjects design with a control group. The first factor was the brand name for the extension into the corn crisps category, which I manipulated at two levels: Jays Redenbacher's and Redenbacher's Jays. The second factor was the positioning statement, which I also manipulated at two levels: partitioned and unified. In the control group, there was no mention of a preceding extension into the corn crisps category.

The headline in each of the four conditions, excluding the control group, was "The new crunch in the bowl." In the first unified condition with the Redenbacher's Jays brand name, the slogan for the extension into the corn crisps category was "The crunchy corn from Redenbacher's Jays." In the second unified condition, the brand name in the slogan was reversed to Jays Redenbacher's. In the first partitioned condition with the Jays Redenbacher's brand name, the slogan was

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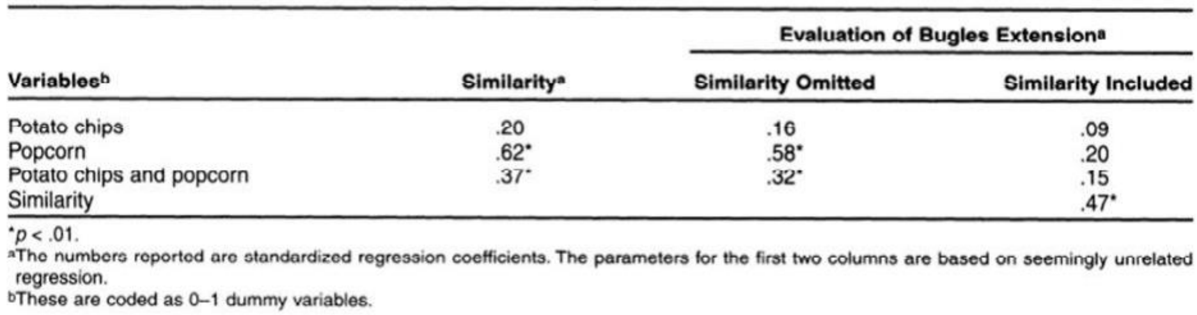
[8] The results from repeating the mediation analysis using a step- down ANOVA were consistent with those using a regression-based approach. Specifically, when I analyzed the evaluation data for the four cells using a one-way ANOVA with similarity as a covariate, the effect of the treatments was no longer significant ($F(3, 67) = .92$, $p > .10$). The effect of similarity was statistically significant ($F(1, 67) = 46.02$, $p < .01$). As I reported previously, the treatments had a significant effect in the ANOVAs for both evaluation (i.e., the dependent variable) and similarity (i.e., the mediating variable).

Table 3: Study 3: Mediation analysis parameter estimates



		Evaluation of Bugles Extension[a]	
Variables[b]	Similarity[a]	Similarity Omitted	Similarity Included
Potato chips	.20	.16	.09
Popcorn	.62*	.58*	.20
Potato chips and popcorn	.37*	.32*	.15
Similarity			.47*

*$p < .01$.

[a] The numbers reported are standardized regression coefficients. The parameters for the first two columns are based on seemingly unrelated regression.

[b] These are coded as 0–1 dummy variables.

"The crunch of Jays and the corn of Redenbacher's." In the second partitioned condition, the two halves of the slogan were reversed. The key measure was the overall evaluation of the counterextension into the popcorn category (Cronbach's α = .92). The participants in the study were 125 adult men and women, who were intercepted in a shopping area, randomly assigned to the various conditions, and paid $5 for their cooperation.

Pretests

The positioning statements were pretested with two random samples of 15 customers each to ensure that the statements were similar in terms of their overall likeability. The customers were drawn from the same population from which the sample for the main study was drawn, and they were each paid $2 for their cooperation. The first sample evaluated the two alternative positioning statements or slogans for the Jays Redenbacher's brand name, and the second sample evaluated the statements for the Redenbacher's Jays brand name; both groups used a four-item (likeable, memorable, stands out, and clear message), seven-point scale. The mean evaluation of the unified statement for the Jays Redenbacher's brand ($\bar{X}$ = 4.26) was statistically indistinguishable from the mean evaluation of the partitioned statement ($\bar{X}$ = 4.35, t_{14} = .25, p > .10). Similarly, the mean evaluation of the unified statement for the Redenbacher's Jays brand ($\bar{X}$ = 4.28) was statistically indistinguishable from the mean evaluation of the partitioned statement ($\bar{X}$ = 4.38, t_{14}= .17, p > .10).

Results

Overall evaluation of the brand counterextension. Figure 5 displays the mean evaluations of the counterextension into the popcorn category across the five conditions. In line with Broniarczyk and Gershoff's (2003) work, I computed the difference between the reported overall evaluation ratings in each of the four experimental conditions and the average evaluation in the control condition.[9] I analyzed the data on these difference scores using a 2 x 2 ANOVA with familiarity with the counterextending brand as a covariate (F(4, 95) = 4.75, p < .01). The familiarity covariate (F(1, 95) = 1.95, p > .10) and the brand name (F(1, 95) = 1.36, p > .10) did not have a significant effect. The main effect of the positioning strategy (F(1, 95) = 13.02, p < .01) was significant, and its interaction with the brand name was marginally significant (F(1, 95) = 2.65, p < .10).

The difference score averaged across the two partitioned conditions ($\bar{X}$ = .15) was statistically indistinguishable from zero (t_{49} = .86, p > .10) and lower than the difference score averaged across the two unified conditions ($\bar{X}$ = .75, F(1, 97) = 6.72, p < .01). In the two partitioned conditions, the difference score in the condition in which Redenbacher's was the header brand ($\bar{X}$ = .12) was statistically indistinguishable from that in the condition in which it was the modifier brand ($\bar{X}$ = .20, F(1, 47) = .08, p > .10). This finding shows that with a partitioned positioning strategy, the evaluation of the counterextension did not depend on whether the parent brand in the preceding extension was a header brand or a modifier brand. However, in the two unified conditions, the difference score in the condition in which Redenbacher's was the header brand ($\bar{X}$ = 1.09) was higher than that in the condition in which it was the modifier brand ($\bar{X}$ = .50, F(1, 47) = 22.94, $p < .01$).

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[9] The average evaluation of the counterextension in the control condition was 3.87

Similarity. For each of the four conditions, excluding the control, I computed the difference scores for similarity using a procedure that was similar to the one I used for computing the difference scores for the overall evaluation of the counterextension. The results from a two-way ANOVA of the data on the difference scores for similarity data showed a significant effect (F(3, 96) = 4.54, $p < .01$). The average difference score for similarity for the two partitioned conditions ($\bar{X}$ = .29) was statistically indistinguishable from zero (t_{49} = 1.63, $p > .10$). However, the average difference score for the two unified conditions ($\bar{X}$ = 1.00) was higher than that in the control condition (t_{49} = 7.19, $p < .01$). Furthermore, in the partitioned conditions, the difference score for similarity in which Redenbacher's was the header brand ($\bar{X}$ = .23) was statistically indistinguishable from that in the condition in which it was the modifier brand ($\bar{X}$ = .35, F(1, 48) = .11, $p > .10$).

I conducted a mediation analysis using the data from the four experimental conditions on the difference scores for both overall evaluation and similarity. The results, which appear in Table 4, indicate that the dummy variables that represent the three conditions, excluding the unified condition with the Redenbacher's Jays brand name, had a significant impact on the difference scores for similarity (i.e., the potential mediating variable) and the difference scores for evaluation (i.e., the dependent variable) ($p <$ .10 or better). However, when the difference score for similarity was added to the regression model for the difference score for evaluation, the parameters for the other variables weakened. However, the parameter for the difference score for similarity was statistically significant ($p < .01$).[10]

Discussion

The results of Study 4 have two important implications: First, they demonstrate that a positioning and communication strategy that explicitly partitions the key attributes of a cobranded extension and relates them to the respective partner brands lowers the evaluation of a counterextension. Second, they show that under an attribute partitioning strategy, the evaluation of the counterextension may not depend on whether the focal brand serves as the header or the modifier brand in the previous cobranded extension. Taken together, the results imply that an attribute partitioning strategy benefits both partner brands, A_1 and A_2, and may result in a lower evaluation of a counterextension into the parent category of either one. Furthermore, such a positioning strategy might also provide some design flexibility for the crafting of the cobranded extension. It may enable the partners to choose the header and modifier brands on the basis of other considerations, such as improving the attribute profile of their cobranded extension.

DISCUSSION

This research contributes to the brand management literature by demonstrating the differential impact of solo-branded versus cobranded extensions on customer evaluation of brand counterextensions. The key finding from a series of studies is that a counterextension into a brand's parent category is likely to be evaluated less favorably when the prior extension launched by the focal brand is cobranded than when it is solo branded. This finding suggests that the strategic choice between solo branding versus cobranding influences the evaluation not only of a brand's own extension (Park, Jun, and Shocker 1996; Rao and Ruekert 1994) but also of counterextensions into its parent category.

The studies show that the discrepancy between the evaluations of counterextensions following the two alternative branding strategies results from the differences in the levels of postextension perceptual similarity between a

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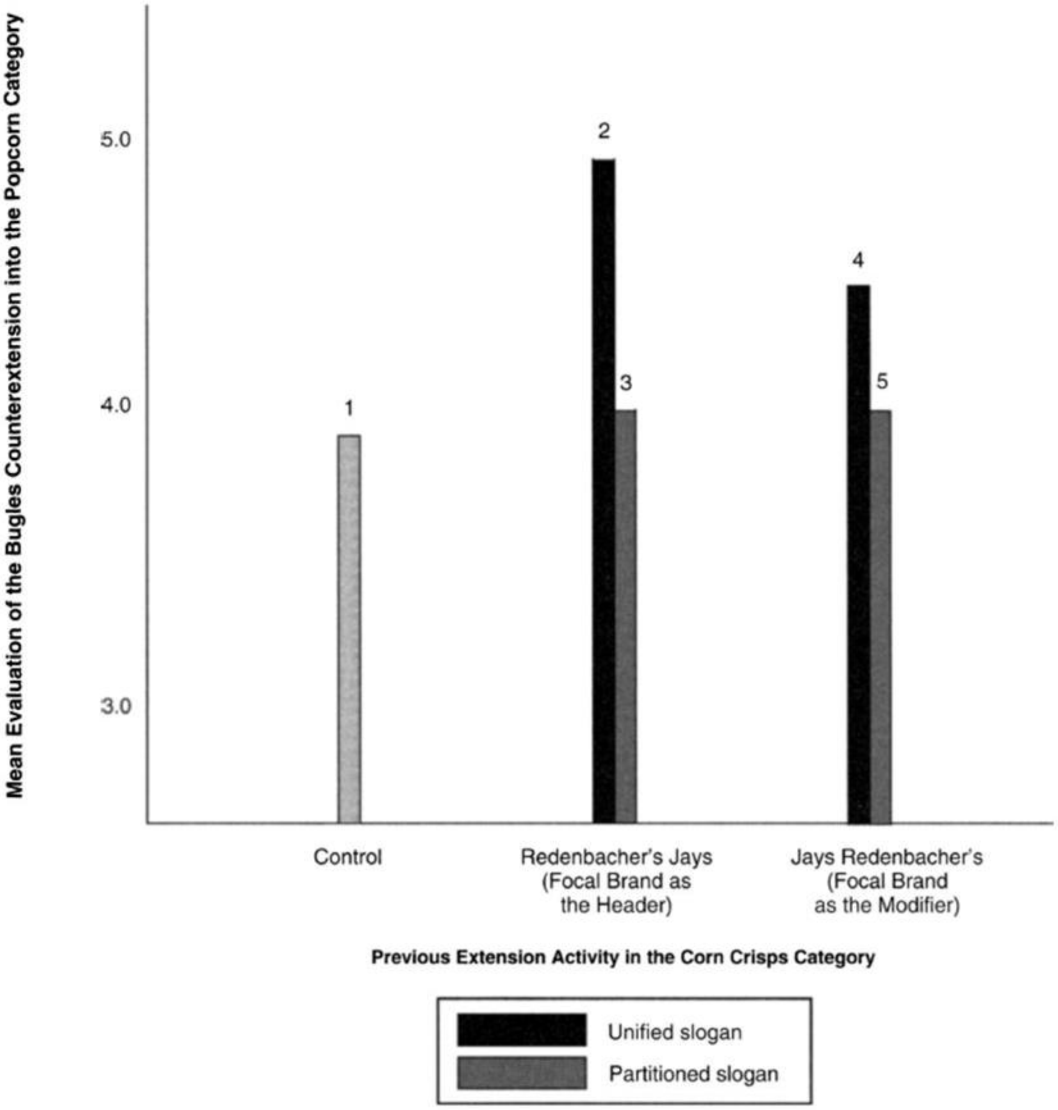
[10] The results from repeating the mediation analysis using a step-down ANOVA were consistent with those using a regression-based approach. Specifically, when I analyzed the difference scores for evaluation data for the four cells using a two-way ANOVA with familiarity and similarity as covariates, the effect of the positioning strategy was substantially smaller (F(1, 94) = 4.51, $p < .05$). The effect of the brand name and its interaction with the positioning strategy were not statistically significant ($p >$ .10). The coefficient for the difference score for similarity was statistically significant (F(1, 94) = 30.90, $p < .01$). However, as I reported previously, the treatments had a significant effect in the ANOVAs for both evaluation (i.e., the dependent variable) and similarity (i.e., the mediating variable).

Figure 5: Study 4: Results summary for the impact of unified versus partitioned postioning of a cobranded extension on the evaluation of a counterextension



Notes: In the unified condition, the positioning statement for the previous Redenbacher's Jays cobranded extension was "The Crunchy Corn from Redenbacher's Jays." In the partitioned condition with the same brand name, the slogan was "The Corn of Redenbacher's and the Crunch of Jays." The slogans under the unified versus partitioned conditions for the Jays Redenbacher's extension were constructed analogously. The evaluation of the counterextension was greater in the two unified conditions (2, 4) than in the two partitioned conditions (3, 5). The brand name of the previous cobranded extension had an impact on the evaluation of the counterextension in the unified condition but not in the partitioned conditions.

Table 4: Study 4: Mediation analysis parameter estimates

		Evaluation of Bugles Extension[a]	
Variables[b]	**Similarity[a]**	**Similarity Omitted**	**Similarity Included**
Jays Redenbacher's (partition)	−.34***	−.38***	−.21**
Redenbacher's Jays (partition)	−.39***	−.42***	−.23**
Jays Redenbacher's (unified)	−.21*	−.26*	−.15
Similarity			.50***

*$p < .1$.
**$p < .05$.
***$p < .01$.
[a]The numbers reported are standardized regression coefficients. The parameters for the first two columns are based on seemingly unrelated regression. The analysis was conducted using difference scores for both overall evaluation and similarity.
[b]The treatments are coded as 0–1 dummy variables.

brand's parent and extension categories. Specifically, a successful solo-branded extension results in a greater improvement in the perceptions of intercategory similarity than does a cobranded extension. A brand in the extension category benefits from the relatively greater increase in the psychological proximity between the two categories following a solo-branded extension, because its counterextension is evaluated more favorably than if the previous extension was cobranded.

Managerial Implications

A key implication of this research is that a brand extension decision should perhaps be evaluated in a broader context of a sequence of extensions and counterextensions. The extension strategy must account for the risk to the parent brand from potential counterextensions and should be appropriately adjusted to manage this risk. Although a firm that launches the initial extension can potentially take several actions to manage the threat from counterextensions, this research shows that cobranding the extension is one strategy that helps mitigate the risk that arises from a favorable evaluation of future counterextensions.

The Benefits of Cobranded Extensions .

The findings from the studies reported herein suggest that the total benefit from cobranding is greater than what has been identified in previous research. Specifically, not only does cobranding help improve the attribute profile of an extension and have a positive reciprocal effect on the equity of the partner brands (Park, Jun, and Shocker 1996; Rao and Ruekert 1994; Simonin and Ruth 1998), it may also protect each partner brand against future counterextensions. Taken together, these findings suggest that cobranding is a key strategic option that enables marketers to craft a balanced brand strategy that not only facilitates extensions based revenue growth but also provides some protection from counterextensions.

Unlike the case of a solo-branded extension, the revenue gains from a cobranded extension are shared with a partner brand. Although this research does not delve into questions about the trade-off between the loss to a potential counterextension and the loss from revenue sharing with a partner brand, the results suggest that cobranding is particularly suited for brand that are strongly associated with their parent categories. A solo-branded extension of such brands is likely to increase the counterextension risk by improving intercategory similarity more than a brand that is only weakly associated with the parent category.

Although the studies point to some additional benefits from cobranding, it is important to note that the purpose of this research was not to explore whether cobranding is a superior extension strategy to solo branding. It was limited to exploring the potential differences in the counterextension risk faced by a brand under the two alternative branding scenarios. The overall choice between the two strategic options must be made on the basis of the expected returns from the alternatives, the levels of overall risk, and other organizational and environmental contingencies that might favor one strategy over another. However, the findings from this research better articulate the extent of overall risk with respect to the two strategies that marketers should take into account when selecting an extension strategy. They suggest that cobranding can potentially play a defensive role and contribute to mitigating the risk to the parent brand from future counterextensions.

Selecting a partner brand. A critical issue in the development of a cobranded extension is the selection of a partner brand. The findings reported herein provide a new perspective on this issue and complement previous research that suggests that a partner brand should be selected on the basis of its reputation and its ability to send quality signals (Rao and Ruekert 1994; Rao, Qu, and Ruekert 1999). The findings also suggest that it is useful to select a partner that enables customers to divide the key attributes of the cobranded extension easily into two subsets and to associate each subset with the respective partner brands. An enhancement in the customer's ability to partition the key attributes of the cobranded extension is likely to result in a less favorable evaluation of a future counterextension. Indeed, a positioning and communication strategy that explicitly partitions the attributes into these subsets might also help the partner brands by further lowering the evaluation of counterextensions.

However, it should be noted that it might not always be possible or feasible for a brand to find a reputed and willing partner brand in a complementary category for the development of a cobranded extension. To that extent, a brand might be limited in the number of product-markets it can extend into with a cobranding strategy.

Designing cobranded extensions. An important consideration in the design of a cobranded extension is the selection of the header brand versus the modifier brand. The results of the studies reported herein suggest that a cobranded extension should be designed on the basis of not only offensive considerations, such as signaling the best attribute profile for the extension, but also the defensive needs of the partner brands. Specifically, from a defensive perspective, the partner brand that is more vulnerable in its parent category should perhaps serve as the modifier brand rather than the header brand. Furthermore, revenue-sharing agreements between the partner brands should account for the counterextension risk faced by each in its respective parent category.

Limitations and Further Research

Although this research provides initial insightsinto the differential impact of cobranded evaluation of a counterextension, further research using different product categories and research methodologies is necessary to establish the robustness of the findings. In addition, several related questions must be addressed. First, even if one brand chooses cobranding as an extension strategy, other brands in its parent category may still launch solo-branded extensions. Further research is needed to address how one brand's choice between solo branding and cobranding influences the extension strategies of other brands in its category and the joint effect of their choices on the evaluation of counterextensions. Second, this research has focused only on the evaluation of a solo-branded counterextension. Potentially, the counterextension could itself be cobranded and may be better accepted than a solo-branded counterextension. The interplay between cobranded extensions is a worthwhile and useful area for further research that could provide insights into whether cobranding affects the evaluation of only solo-branded counterextensions or that of cobranded counterextensions as well.

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Managing marketing communications with multichannel customers

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ABSTRACT

This article presents a marketing communications process that uses customer relationship management ideas for multichannel retailers. The authors describe and then demonstrate the process with enterprise-level data from a major U.S. retailer with multiple channels. On the basis of the results, the authors develop an initial marketing communications strategy for the retailer

Over the past decade, customer relationship management (CRM) has proved critical in helping firms make more money by enabling them to identify the best customers and then satisfy their needs so that they remain loyal to the firm More recently, CRM has grown increasingly complex with the proliferation of retailers expanding their channels of distribution (Cleruy 2000). This has led to the need for enterprise-level data, which are the aggregation of data gathered from all firm interactions with their customers across all channels. Given this data-rich, dynamic environment, how can a firm identify the customers who will migrate among its multiple channels and predict their migration patterns? More important, how does the firm communicate with these customers to influence their channel choices and, ultimately, their value? This research focuses on answering these questions.

Thus, this a11icle has two general objectives. First, we illuminate a process by which multichannel retailers can leverage enterprise-level data to understand and predict their customers' channel choices over time. Second, we demonstrate how the infmmation gained from this process can be used to develop strategies for tru·geting and communicating with customers in a multichannel environment.

The benefits achieved from the application of this process include increased efficiency in ma.I·keting expenditures and enhanced customer value. In the next section, we outline the general process for managing ma.I·keting communications (MARCOM) with multichannel retail customers. Subsequently, we demonstrate the application of the process using an enterprise database of a multichannel retailer. We conclude by noting the limitations of the study and ideas for further reseru·ch in this area.

THE MULTICHANNEL MARCOM PROCESS

The process of managing MARCOM in a multichannel environment begins with the identification of relevant factors that differentiate among customers who use different channels. It continues with the development of a communication strategy for existing customers, and it ends with the prediction of the right communications strategy for prospects and new customers.

Step 1: Estimate a Segment-Level Channel Choice Model

The ctitical aspect of this step of the process is not choosing the model (e.g., multinomial logit

or probit) as much as it is specifying the model. It is important that the variables in the model are factors that (1) drive channel choice, (2) help classify prospects and customers into segments, and (3) measure the efficiency of the MARCOM expenditures and activities. Channel choice research has identified customers' price expectations (e.g., Brynjolfsson and Smith 2000), the product group to be purchased (Young 2001), and convenience (Forster 2004) as factors that may lead to a specific choice among channels or stores (Fox, Montgomery, and Lodish 2004). Balasubramanian, Raghunathan, and Mahajan (2005) assert that the goals (e.g., economic, self-affirmation, socialization) a consumer tries to achieve during his or her shopping experience affect channel choices.

Although descriptors of the actual purchase are relevant, it is also important to include independent measures that can be known before a purchase so that they can be used to classify prospects into segments. The distance that a customer lives from a store is an example. Other examples of factors that may drive channel choice include switching costs and risk aversion (Dholakia, Zhao, and Dholakia 2005). If competitive data are available, both of these factors can be assessed before the customer's first purchase with the focal firm.

Another factor to consider in the channel choice decision is the extent to which prior channel choices influence current channel choices. In general, marketers have shown that prior experiences affect current choices (e.g., Boulding, Kalra, and Staelin 1999; Thomas, Blattberg, and Fox 2004). In a channels context, Shankar, Rangaswamy, and Pusateri (2001) show that a prior positive experience with a brand in a physical store can decrease price sensitivity online. Furthermore, Dholakia, Zhao, and Dholakia (2005) assert that prior channel choices affect subsequent channel choices when customers make repeat purchases. Thus, knowledge of prior purchase channels may help explain future channel choices and develop a MARCOM strategy.

In terms of MARCOM, variables that measure the number, nature, or dollar amount of communication expenditures are also important to include in the channel choice model. For example, a study of migration between the catalog and the Internet channels finds that the number of marketing communications largely predicts the buying behavior of an Internet-oriented segment (Ansari, Mela, and Neslin 2005). Other research asserts that individual- or segment-level media expenditures are essential in the development of a MARCOM strategy (Tellis 2003, p. 45).

Although thoughtful identification of the critical factors that drive channel choice is important, it is also vital to recognize that, similar to attitudes (see Eagly and Chaiken 1993), the consumer's channel choice probabilities may change over time. This change over time is referred to as nonstationarity. In empirical applications, the presence or absence of nonstationarity in choice probabilities is determined by a statistical test (Anderson and Goodman 1957; Montgomery 1969; Styan and Smith 1964). This phenomenon can be captured simply by including a variable in the choice model that indicates time or purchase occasion number.

Step 2: Assign Each Existing Customer to a Segment and Profile the Segments

After the factors associated with channel choice have been examined and the choice model has been estimated, a statistical equation can be used to assign customers to a specific segment. A profile of each segment should then be created to describe the demographics and historical behavior of the segments, including differences and similarities. Doing so not only results in a greater understanding of the kinds of customers who frequent the retailer but also helps firms target and assign new customers to current segments (as can be observed in Step 5).

Step 3: Predict the Probability of Channel Choice over Time

The purpose of this step is to anticipate the customer's channel choices in the future, thereby becoming more efficient with MARCOM activities in a multichannel environment. Various statistical models can be used for prediction. In this process, we leverage the results from Step 1 to develop a

Markov chain. A Markov chain details the probability of a customer sequentially choosing to buy from different channels over time. A firm can then determine which channels a customer is most likely to buy from in the future. Using the knowledge of what drives channel choice (i.e., the results from Step 1), a firm can then attempt to leverage MARCOM to encourage channel choices that enhance customer value.

Step 4: Develop a Segment-Specific Communications Strategy

With this step, a firm can now begin to develop a MARCOM strategy for its existing customers. To develop the strategy, the firm should consider (1) the customer types that generate the most value to the firm (e.g., catalog plus Internet customers versus bricks-and-mortar store plus Internet customers), (2) a customer's intrinsic channel choice preferences and tendencies given the current MARCOM tactics, (3) the degree to which customers respond to MARCOM and the nature of that response, and (4) the costs associated with different MARCOM activities.

Step 5: Classify First-Time Customers into Existing Segments

The objective of Step 5 is to use early information (e.g., demographics, channel of first purchase, revenues from first purchase) from prospects and first-time customers to classify them into the existing segments they most closely resemble. There are various classification and segmentation methods (e.g., discriminant analysis, chi-square automatic interaction detection [CHAID], classification and regression tree [CART], cluster analysis) that can be used in this step. Given the classification, the firm can then tailor communications that will influence purchase behavior similar to other customers in the same segment. The more elaborate the segment profiles (from Step 2) and the more detailed the data on prospects and new customers, the easier this step becomes.

Step 6: Update Segment Affiliation

Finally, as current and new customer interaction data become available, the data can then be applied to repeat the prior steps and update the segment assignments and their profiles. In particular, the Markov chain may help update the segment memberships. Note that the six steps we outline for the enhancement of MARCOM efficiency are closely aligned with the four critical actions (i.e., database creation, market segmentation, forecasting customer purchase behavior, and resource allocation) that Berger and colleagues (2002) assert are necessary for the assessment of how marketing actions affect customer value.

APPLICATION OF THE MANCOM PROCESS

Customer Database

To demonstrate the application of the multichannel communications process, we use an enterprise customer database from a major U.S. retailer. This database includes sales from the retailer's three channels: physical retail stores, catalogs, and the Internet. The data were captured using the retailer's proprietary system, which first issues a unique number to a customer and then tracks that customer each time he or she purchases an item from any of the retailer's three channels. Of the more than 4100 customers tracked for this analysis, bricks-and-mortar store-only customers constituted approximately 63% of the total, catalog-only customers constituted 11.9%, and Internet-only customers constituted 12.4%. Dual-channel customers constituted 11.9% of the orders, and three-channel users constituted approximately 1%. Descriptive statistics of customers' purchase behaviors and highlights of the differences between customers appear in Table 1. We determined all of the relative comparisons we note in the bottom portion of Table 1 using a multivariate analysis of variance and planned contrasts for which the critical significance level was at least .05. Note that information from Table 1 is helpful when trying to derive inferences about the relationship between channel usage and customer value. Thus, we also use this information in future steps.

The data cover one year's worth of purchases from only first-time buyers.[1] Although this one-year time horizon is not ideal for lifetime value assessments, which are common in CRM, this application shows that firms with even a limited enterprise database can begin to assess channel migration and develop communication strategies. As more data become available, a firm can then repeat the process and assess longer-term customer profitability.

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[1] We limit our analysis to customers who first began a relation- ship with the firm during the observation horizon because customers who began before this time may have histories preceding the observation window that affect their current behavior and this analysis.

Although data integration across channels is a significant challenge for many firms, a failure to do so could distort the firm's view of its customers (Aberdeen Group 2004). In these data, we find that if a channel were to function in a silo, it would fail to capture between 50% and 65% of a multichannel customer's total annual revenues. The magnitude of this distortion will vary by firm, but in these data, we find that it is similar for the store and catalog channels and is the greatest for the Internet channel. Thus, the necessary characteristics of the data are that (1) they are a longitudinal record, tracking all of a customer's purchase occasions, and (2) they contain elements of the purchase environments (e.g., promotions, pricing) across all three channels. For each purchase occasion, this firm's database tracks the channel from which the customer purchases, the products purchased and their categories, and the prices paid. A notable feature of this retailer is that all products are offered in all three channels, and pricing and promotions are uniform across the channels.

Step 1: Estimate a Segment-Level Channel Choice Model

We use a multinomial logit model to estimate channel choice at a given time. A list of the independent variables and their operationalizations appear in Table 2. There are a few things to note with respect to our variable selection. First, we include a quadratic term for MARCOM dollars to explore nonlinearities in the relationship between communication expenditures and channel choice. We based this decision on previous research that has identified a decreasing-returns relationship between MARCOM expenditures and customer acquisition, retention, and long-term profitability of customers (Reinartz, Thomas, and Kumar 2005). Second, we include only the most recent prior purchase as a variable in the model. We based this decision on the statistical tests that Styan and Smith (1964) outline, from which we determined that the channel choice at time (t – 1)affects the channel choice at time t.[2] Third, we include the purchase occasion variable. Using a test that Anderson and Goodman (1957) outline, we conclude that channel choice probabilities change over time (i.e., they are nonstationary).[3]

To capture unobserved heterogeneity in the choice probabilities, we estimated the model using a latent class segmentation approach as Kamakura and Russell (1989) describe. The results from estimating the Logit model appear in Table 3. Note that the latent class procedure yielded two distinct segments (Akaike information criterion for Segments 1, 2, and 3 were 1.115, .9326, and .9330, respectively). For comparing the relative impact of the factors related to channel choice, Table 3 includes the elasticities of the statistically significant variables. These elasticities aid us in Step 4 as we develop the MARCOM strategy.

Step 2: Assign Each Existing Customer to a Segment and Profile the Segments

Consistent with the latent class estimation in Step 1, we assign customers to one of the two segments on the basis of their prior choice histories. As Kamakura and Russell (1989, Eqs. 7 and 8) describe, we first assume that a customer belongs to a specific segment. Given that assumption, we compute the likelihood of each customer's channel choice history. The equation to compute this is expressed here as follows:

$$(1) \qquad L(H_k|i) = \prod_t P_j(u_{ji},\beta_{ji},X_{kt}),$$

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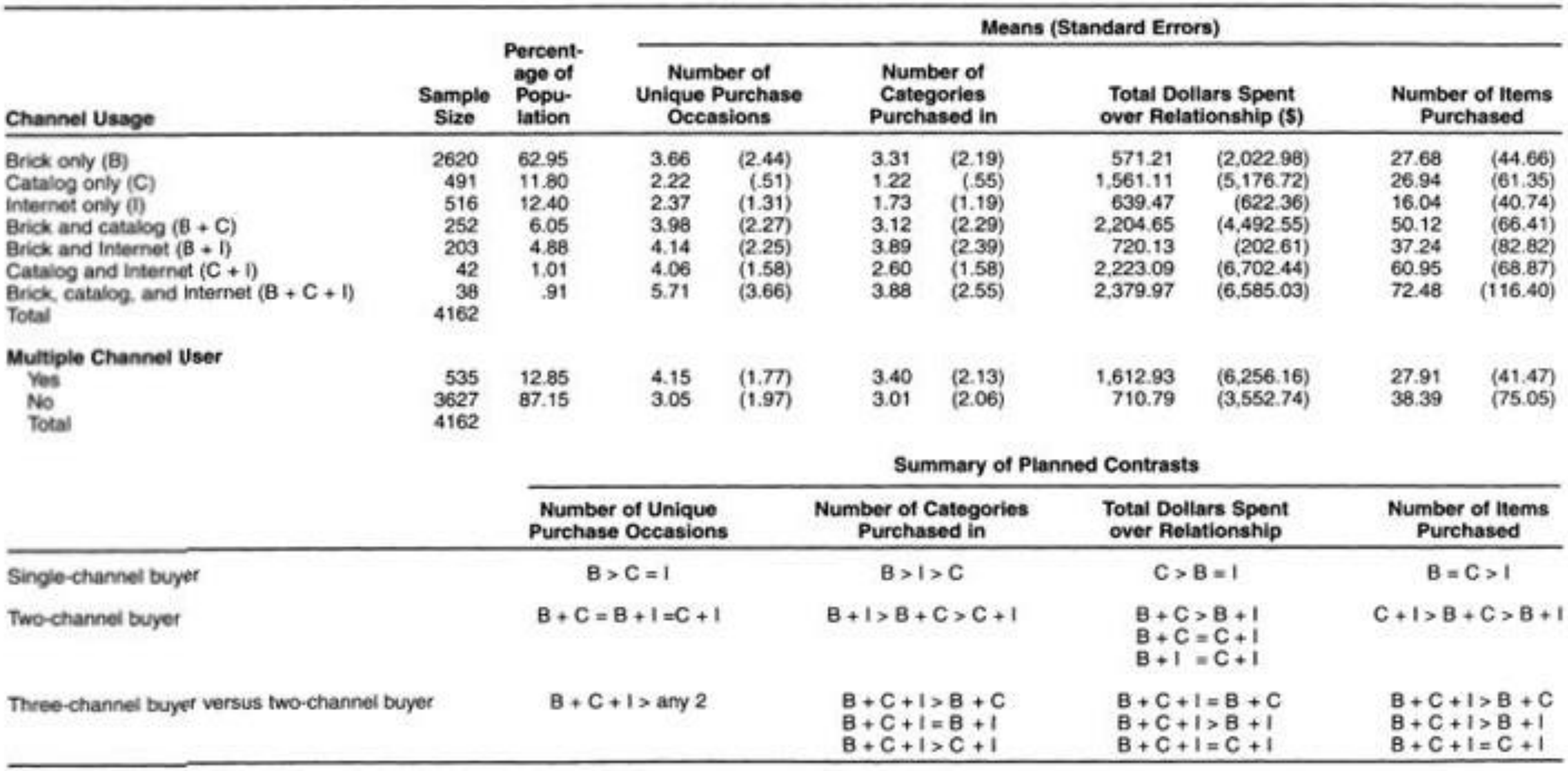
[2] For a zero- versus first-order test, we need a customer to have at least two purchase occasions. However, because we do not assume stationarity at this point, for those who had a longer history, we continued to test the zero-order hypothesis at different points in their life cycles. Thus, we computed chi-square statistics at several repeat purchase occasions. The chi-square values for the first, second, third, fourth, and fifth repeat purchases were 137.33, 32 92, 26.17, 28.45, and 17 19, respectively. Assuming that $p = .995$, the critical chi-square value with four degrees of freedom is 14.86; therefore, we reject the null hypothesis that states that the process is a zero-order model. We conducted a second-order test, but we could not reject the null hypothesis that it was a first-order mode

[3] Given our data, we let $T = 6$; we applied a test of stationarity to our data and found a chi-square value of 252.85. If $p = .995$, the critical chi-square value at 30 degrees of freedom was 50.67. From this, we conclude that we can reject the null hypothesis and that in this application, the channel choice process is nonstationary

Table 1: Data Description and Comparison

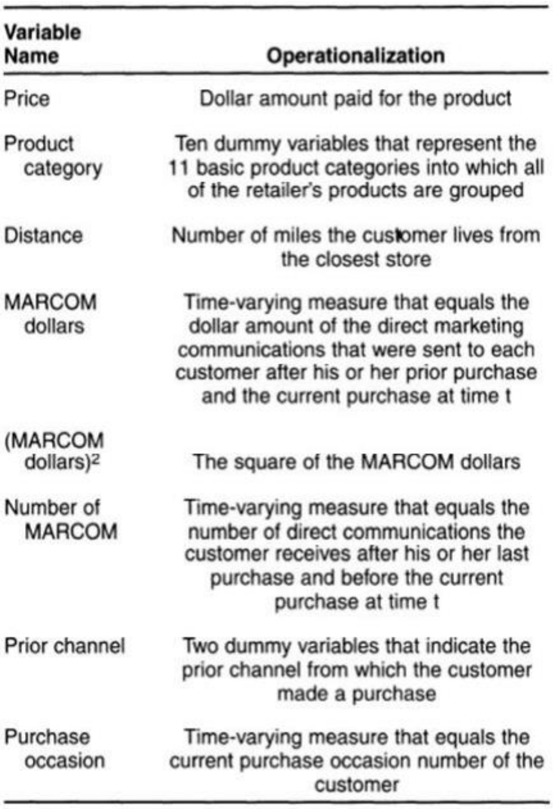


Channel Usage	Sample Size	Percentage of Population	Means (Standard Errors): Number of Unique Purchase Occasions		Number of Categories Purchased in		Total Dollars Spent over Relationship ($)		Number of Items Purchased	
Brick only (B)	2620	62.95	3.66	(2.44)	3.31	(2.19)	571.21	(2,022.98)	27.68	(44.66)
Catalog only (C)	491	11.80	2.22	(.51)	1.22	(.55)	1,561.11	(5,176.72)	26.94	(61.35)
Internet only (I)	516	12.40	2.37	(1.31)	1.73	(1.19)	639.47	(622.36)	16.04	(40.74)
Brick and catalog (B + C)	252	6.05	3.98	(2.27)	3.12	(2.29)	2,204.65	(4,492.55)	50.12	(66.41)
Brick and Internet (B + I)	203	4.88	4.14	(2.25)	3.89	(2.39)	720.13	(202.61)	37.24	(82.82)
Catalog and Internet (C + I)	42	1.01	4.06	(1.58)	2.60	(1.58)	2,223.09	(6,702.44)	60.95	(68.87)
Brick, catalog, and Internet (B + C + I)	38	.91	5.71	(3.66)	3.88	(2.55)	2,379.97	(6,585.03)	72.48	(116.40)
Total	4162									
Multiple Channel User										
Yes	535	12.85	4.15	(1.77)	3.40	(2.13)	1,612.93	(6,256.16)	27.91	(41.47)
No	3627	87.15	3.05	(1.97)	3.01	(2.06)	710.79	(3,552.74)	38.39	(75.05)
Total	4162									

Summary of Planned Contrasts

	Number of Unique Purchase Occasions	Number of Categories Purchased in	Total Dollars Spent over Relationship	Number of Items Purchased
Single-channel buyer	B > C = I	B > I > C	C > B = I	B = C > I
Two-channel buyer	B + C = B + I =C + I	B + I > B + C > C + I	B + C > B + I B + C = C + I B + I = C + I	C + I > B + C > B + I
Three-channel buyer versus two-channel buyer	B + C + I > any 2	B + C + I > B + C B + C + I = B + I B + C + I > C + I	B + C + I = B + C B + C + I > B + I B + C + I = C + I	B + C + I > B + C B + C + I > B + I B + C + I = C + I

Table 2: Choice Model Variables



Variable Name	Operationalization
Price	Dollar amount paid for the product
Product category	Ten dummy variables that represent the 11 basic product categories into which all of the retailer's products are grouped
Distance	Number of miles the customer lives from the closest store
MARCOM dollars	Time-varying measure that equals the dollar amount of the direct marketing communications that were sent to each customer after his or her prior purchase and the current purchase at time t
(MARCOM dollars)^2	The square of the MARCOM dollars
Number of MARCOM	Time-varying measure that equals the number of direct communications the customer receives after his or her last purchase and before the current purchase at time t
Prior channel	Two dummy variables that indicate the prior channel from which the customer made a purchase
Purchase occasion	Time-varying measure that equals the current purchase occasion number of the customer

where

$L(H_k|i)$ = the likelihood that customer k has channel choice history H given that he or she is in segment i,

$P_j(u_{ji},\beta_{ji},X_{kt})$ = the probability that customer k chose channel j at time t given, that he or she is in segment i,

u_{ji} = the preference parameter for channel j given that the customer is in segment i,

β_{ji} = the coefficient vector for channel choice j given that a customer is in segment i, and

X_{kt} = the vector of covariates for customer k at time t.

In the case of these data, we derive the probability in Equation 1 using the parameter estimates from Step 1 of this MARCOM process. In Step 1, we also estimated a parameter that leads to the determination of the size of each latent segment. Specifically, we found that 27% of the customers likely belong to Segment 1 and that 73% likely belong to Segment 2. Using the segment size information, for each customer, we compute the probability that he or she belongs to a particular segment. Borrowing from the work of Kamakura and Russell (1989, Eq. 8), we describe this posterior probability of segment membership in Equation 2:

$$(2) \qquad P(k \in i|H_k) \underset{t}{=} \frac{L(H_k|i)f_i}{\sum_{i'} L(H_k|i')f_{i'}}$$

where

$P(k \in i|H_k)$ = the probability that customer k is in segment i given choice history H,

f_i = the probability of being in segment i, and

i' = the identifier of a latent segment

On the basis of the result of Equation 2, we assign a customer to the segment for which he or she has the highest probability of membership.

After all customers have been assigned to a segment, we profile the segments on the basis of the key variables of prior purchase behavior, demographics, and the nature of the communications between the firm and the customers. Table 4 shows the profile for these data. Note that the profile may contain variables that were not included as independent variables in the channel choice model. We use the information in Table 4 to help classify prospects in Step 5.

Step 3: Predict the Probability of Channel Choice over Time

The goal of this step is to develop a series of Markov switching matrices that reflect the probability of choosing a specific channel in the next period, given that the current channel choice is known. Using the parameter estimates from Step 1 that appear in Table 3, for each segment, we predict the probability of choice at time t at the mean value for the continuous variables (except the purchase occasion variable) and the modal value for the categorical variables (except the prior channel variable). Consistent with our definition, we set the purchase occasion variable equal to two

Tabb 3: Logit Model Estimates

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Table 3: Continued

	Segment 1				Segment 2			
	Brick Versus Internet[a]		Catalog Versus Internet[a]		Brick Versus Internet[a]		Catalog Versus Internet[a]	
	Coefficient[b] (Standard Error)	Elasticity[c]	Coefficient[b] (Standard Error)	Elasticity[c]	Coefficient[b] (Standard Error)	Elasticity[c]	Coefficient[b] (Standard Error)	Elasticity[c]
Product Categories								
Category 2	–.875 (.066)	.585**	–1.709 (.060)	–.249**	1.660 (.057)	.000**	.804 (.099)	–.856**
Category 3	–1.404 (.059)	–.382**	–1.195 (.056)	–.173**	.599 (.036)	.000**	–.408 (.091)	–1.007**
Category 4	–1.049 (.069)	–.637**	–.482 (.064)	–.070**	2.295 (.079)	.000**	3.062 (.116)	.767**
Category 5	–1.288 (.098)	.584**	–2.191 (.102)	–.319**	28.304 (74.200)		26.204 (67.420)	
Category 6	–.935 (.051)	.000**	–1.093 (.048)	–.159**	2.303 (.183)	.000**	7.742 .204	5.439**
Category 7	–.935 (.051)	.000**	–1.093 (.048)	–.159**	20.099 (125.249)		16.447 (25.250)	
Category 8	–.934 (.051)	–.001**	–1.092 (.048)	–.159**	1.064 (.069)	.000**	–1.049 (.141)	–2.113**
Category 9	–.933 (.052)	.000**	–1.091 (.048)	–.159**	1.162 (.065)	.000**	.708 (.187)	–.454*
Category 10	–.935 (.053)	.000**	–1.093 (.049)	–.159**	11.271 (10.225)		–81.580 (81.655)	
Category 11	–.935 (.051)	–.001**	–1.093 (.048)	–.159**	.172 (.059)	.000*	–.912 (.187)	–1.084**
Segment Size	.27				.73			

*$p < .05$.

**$p < .0001$.

[a] To determine the coefficient for choosing the brick store versus the catalog, we subtracted the coefficient for choosing the catalog versus the Internet from the coefficient for brick versus the Internet.

[b] A positive coefficient means that a customer is more likely to choose channel j than the base channel. The base channel is the Internet in this case.

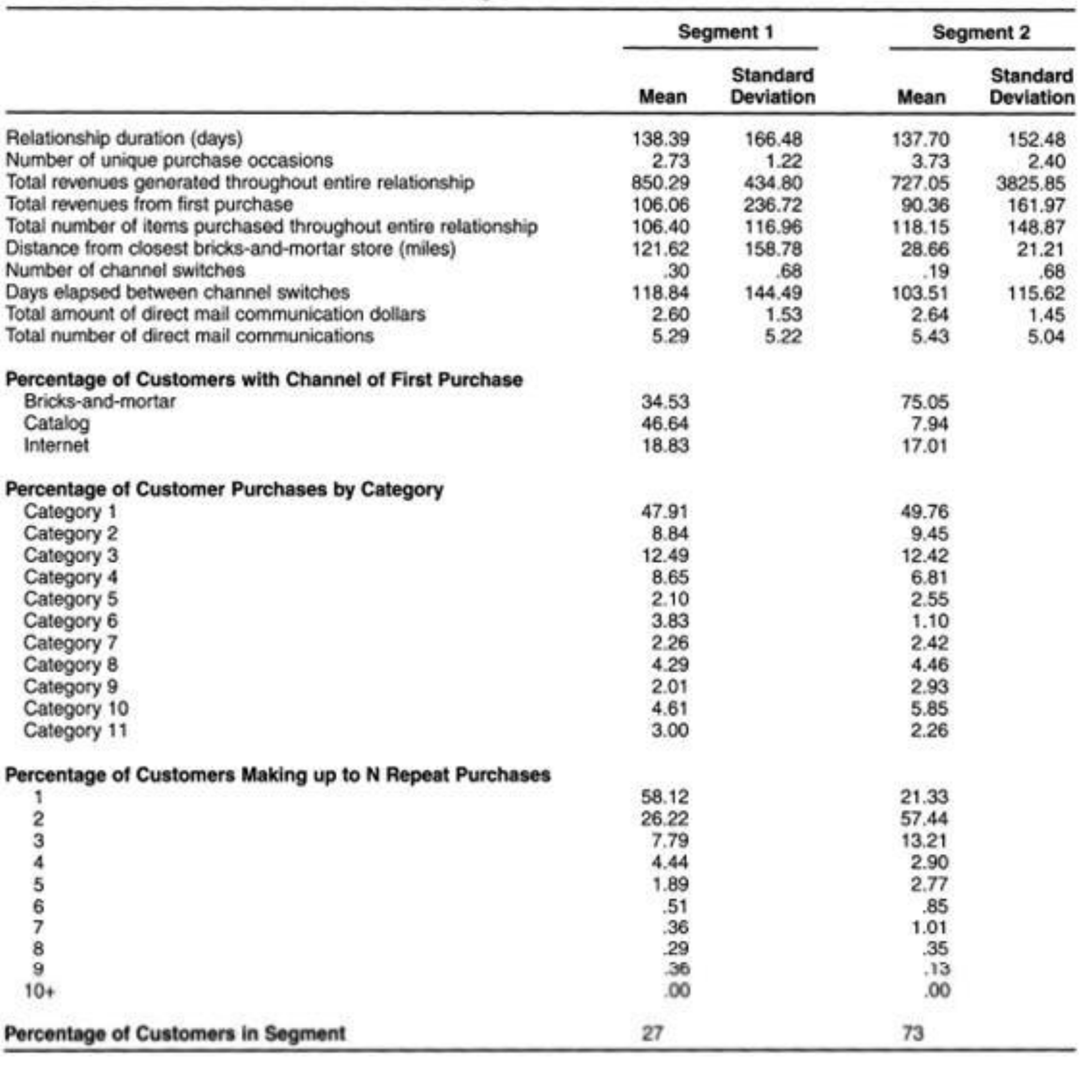
[c] We computed elasticities at the mean value of the continuous variables and the modal value of the categorical variables.

for the first repeat purchase occasion. For subsequent repeat purchase occasions, we increase the variable by one accordingly. The parameter that we use in the prediction for the prior channel choice depends on which row of the matrix we are predicting. For these data, the channel choices for four periods into the future appear in Table 5. We observe that there are two distinct segments in terms of channel use: Segment 1 frequents the catalog and/or Internet, and Segment 2 is channel loyal and frequents the bricks-and-mortar store. Given the degree of loyalty, it is not surprising that the majority of Segment 2 customers made their first purchase from this same channel. This pattern of channel loyalty is consistent with Dholakia, Zhao, and Dholakia's (2005) findings.

Step 4: Develop a Segment-Specific Communications Strategy

Developing a segmented MARCOM strategy begins with some basic questions. Which customer types generate the most value to the firm? From Table 1, we confirm that multichannel buyers generate more revenue for the firm, purchase more items, purchase in more categories, and purchase more frequently than do single-channel buyers. More specifically, we learn that multichannel customers who use catalogs tend to generate more revenue than multichannel customers who do not use catalogs. We even find that a dual-channel customer is equally as valuable as a three-channel customer in terms of revenue, as long as the dual-channel customer buys from the catalog. Although this information does not imply a causal relationship between channel choice and purchase behavior, it provides a guide that we can use to develop a communication strategy for influencing channel choice.

Table 4: Segment Profiles



	Segment 1		Segment 2	
	Mean	**Standard Deviation**	**Mean**	**Standard Deviation**
Relationship duration (days)	138.39	166.48	137.70	152.48
Number of unique purchase occasions	2.73	1.22	3.73	2.40
Total revenues generated throughout entire relationship	850.29	434.80	727.05	3825.85
Total revenues from first purchase	106.06	236.72	90.36	161.97
Total number of items purchased throughout entire relationship	106.40	116.96	118.15	148.87
Distance from closest bricks-and-mortar store (miles)	121.62	158.78	28.66	21.21
Number of channel switches	.30	.68	.19	.68
Days elapsed between channel switches	118.84	144.49	103.51	115.62
Total amount of direct mail communication dollars	2.60	1.53	2.64	1.45
Total number of direct mail communications	5.29	5.22	5.43	5.04
Percentage of Customers with Channel of First Purchase				
Bricks-and-mortar	34.53		75.05	
Catalog	46.64		7.94	
Internet	18.83		17.01	
Percentage of Customer Purchases by Category				
Category 1	47.91		49.76	
Category 2	8.84		9.45	
Category 3	12.49		12.42	
Category 4	8.65		6.81	
Category 5	2.10		2.55	
Category 6	3.83		1.10	
Category 7	2.26		2.42	
Category 8	4.29		4.46	
Category 9	2.01		2.93	
Category 10	4.61		5.85	
Category 11	3.00		2.26	
Percentage of Customers Making up to N Repeat Purchases				
1	58.12		21.33	
2	26.22		57.44	
3	7.79		13.21	
4	4.44		2.90	
5	1.89		2.77	
6	.51		.85	
7	.36		1.01	
8	.29		.35	
9	.36		.13	
10+	.00		.00	
Percentage of Customers in Segment	27		73	

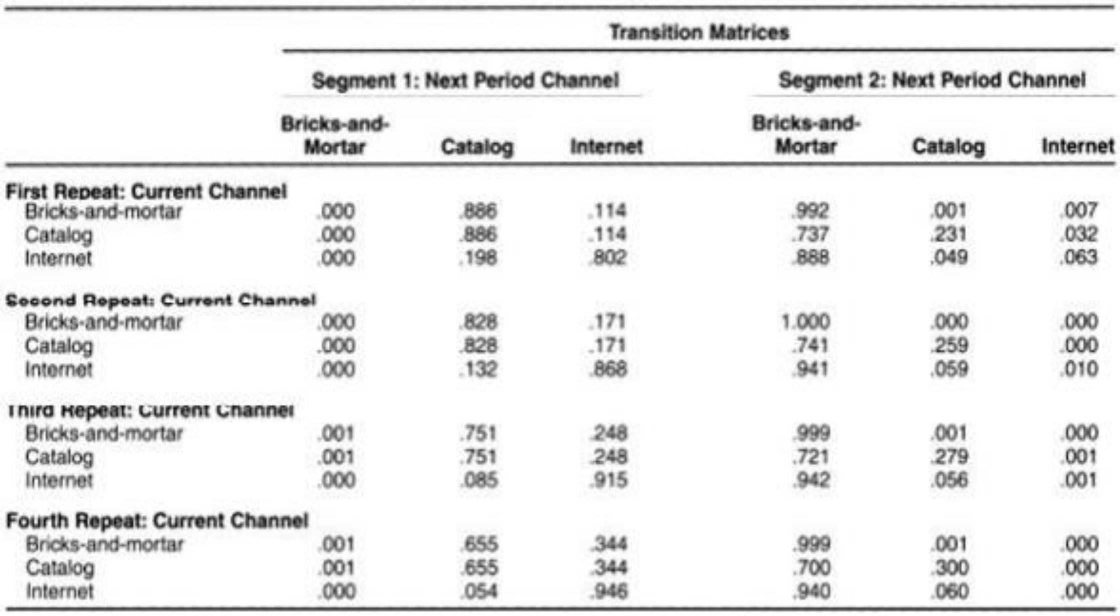
What are the customer's intrinsic channel preferences and tendencies? The answer to this question comes primarily from the Markov matrices we developed in Step 3 (see Table 5). These matrices reveal that Segment 1 is primarily a catalog segment, as long as the prior purchase was not from the Internet. If the customer's prior channel was the bricks-and-mortar store, the probability is high that his or her first and second repeat purchases will be from the catalog. If the customer's prior purchase was over the Internet, there is some migration toward the catalog in the early stages of the life cycle, but this diminishes as the repeat purchase occasions increase. In general, Segment 1 customers could be labeled as those who migrate toward remote channel.

In contrast, Segment 2 customers will most likely stay in the bricks-and-mortar channel or switch to it. Over time, the data predict that Segment 2 customers will not choose to buy from the Internet. Given the infrequent switching that occurs in this segment (see the profile in Table 4), it could also be concluded from the trajectory of the matrices that a small group of customers in Segment 2 who repeat buy from the catalog will likely be those whose first purchase was from this same channel.

Thus, consistent with the segment profiles, these forecasts indicate that there is a significant amount of channel stickiness for buying in both segments. This is an important finding for several reasons. First, it suggests that for these data, the channel of first purchase has a high probability of being the channel choice for subsequent purchases. Second, this finding leads to the next set of questions.

To what extent do customers respond to MARCOM, and what is the nature of their response? On the basis of the elasticities in Table 3, we conclude that the number of communications is a key factor that is associated with the choice of the bricks-and-mortar store over the Internet but not for the choice between the catalog and the Internet in Segment 1 (see Table 3). The prior channel also seems to play a significant role in subsequent channel choices for Segment 1. Specifically, the lack of prior experience on the Internet is related to the decision not to choose the Internet for subsequent purchases. For Segment 2, the elasticities (see Table 3) indicate that the MARCOM dollar expenditures appear to drive channel choice the most. Increasing the number of communications in Segment 2 is associated with the choice of the Internet over the store or the catalog.

Table 5: Forecasted Channel Switching Probabilities



	Transition Matrices					
	Segment 1: Next Period Channel			Segment 2: Next Period Channel		
	Bricks-and-Mortar	Catalog	Internet	Bricks-and-Mortar	Catalog	Internet
First Repeat: Current Channel						
Bricks-and-mortar	.000	.886	.114	.992	.001	.007
Catalog	.000	.886	.114	.737	.231	.032
Internet	.000	.198	.802	.888	.049	.063
Second Repeat: Current Channel						
Bricks-and-mortar	.000	.828	.171	1.000	.000	.000
Catalog	.000	.828	.171	.741	.259	.000
Internet	.000	.132	.868	.941	.059	.010
Third Repeat: Current Channel						
Bricks-and-mortar	.001	.751	.248	.999	.001	.000
Catalog	.001	.751	.248	.721	.279	.001
Internet	.000	.085	.915	.942	.056	.001
Fourth Repeat: Current Channel						
Bricks-and-mortar	.001	.655	.344	.999	.001	.000
Catalog	.001	.655	.344	.700	.300	.000
Internet	.000	.054	.946	.940	.060	.000

Given the significance of both the linear and the quadratic terms in both segments, we show the effect of MARCOM dollar expenditures graphically in Figure 1. This figure shows the change in the log odds of channel choice with respect to MARCOM dollar expenditures. To compute the log-odds ratio, we assume that the customer is making his or her first repeat purchase and that all other continuous variables are fixed at their means and the categorical variables are fixed at their modes.[4] For Segment 1, we find that the log-odds ratio is negative and decreasing for the bricks- and-mortar store and positive and decreasing for the catalog channel. This means that an increase in MARCOM spending decreases the chance of the customer's choosing the bricks-and-mortar channel over the Internet. In addition, overall, MARCOM expenditures enhance the chances of the customer's choosing the catalog over the Internet, but this probability decreases as MARCOM expenditures increase. Thus, within the range of these data, we conclude that, in general, increasing MARCOM expenditures directed at the average Segment 1 customer motivates him or her to make the first repeat purchase from the catalog.

For Segment 2, we find that the log-odds ratio is positive and increasing for the bricks-and-mortar store and negative and decreasing for the catalog channel.[5] This means that an increase in MARCOM spending increases the chance of choosing the bricks-and-mortar channel over the Internet and decreases the chance of choosing the catalog over the Internet. On the basis of the magnitude and sign of the log-odds ratios, we conclude that higher levels of communication spending directed toward Segment 2 primarily drives the average Segment 2 customer to make his or her first repeat purchase in the bricks-and-mortar store.

Synthesizing all of this information leads to an initial strategy for communicating with customers. The objective of this strategy is to encourage channel choice behavior that is consistent with the firm's highest-value multichannel customers. Because we are interested in driving net marketing contribution, we ignore the fixed costs that are associated with operating the channels when developing this strategy. Given this objective and the responses to the critical questions, we conclude that though Segment 1 customers are more likely to switch channels than Segment 2 customers, MARCOM plays a more limited role in this decision. The prior purchase channel is a vital if not better predictor of subsequent channel choice.

Many Segment 1 customers (46%) made their first purchase through the catalog. For customers in this portion of the segment, the retailer should attempt to maintain its strong affiliation with the catalog channel and encourage customers to have a multichannel relationship that likely would include the Internet. The rationale for this is that historical data indicate that this type of multichannel customer is desirable because of his or her tendency to be one of the highest dual-channel revenue generators, have a high purchase volume, and purchase at least as often as any other dual-channel buyer (see Table 1). Given that the number of communications does not have a significant effect on the choice between the catalog and the Internet channels, the firm should increase the MARCOM expenditure but direct the increase toward enhancing the quality of the communications, not the number of communications. An opportunity for improving the quality in a way that motivates the use of the Internet would be to feature products that are not in the base product category (i.e., Category 1; see Table 3).

For the 54% of Segment 1 who began a relationship through a channel other than the catalog, the goal is to drive these customers toward the catalog. The odds are against the choice of the bricks-and-mortar store over the catalog, but they improve slightly as the MARCOM dollars increase from $.25 to $5.00. Similarly, the odds are against the choice of the Internet over the catalog, but they improve as MARCOM expenditures increase from $.25 to $5.00. In addition, we know that increasing the number of

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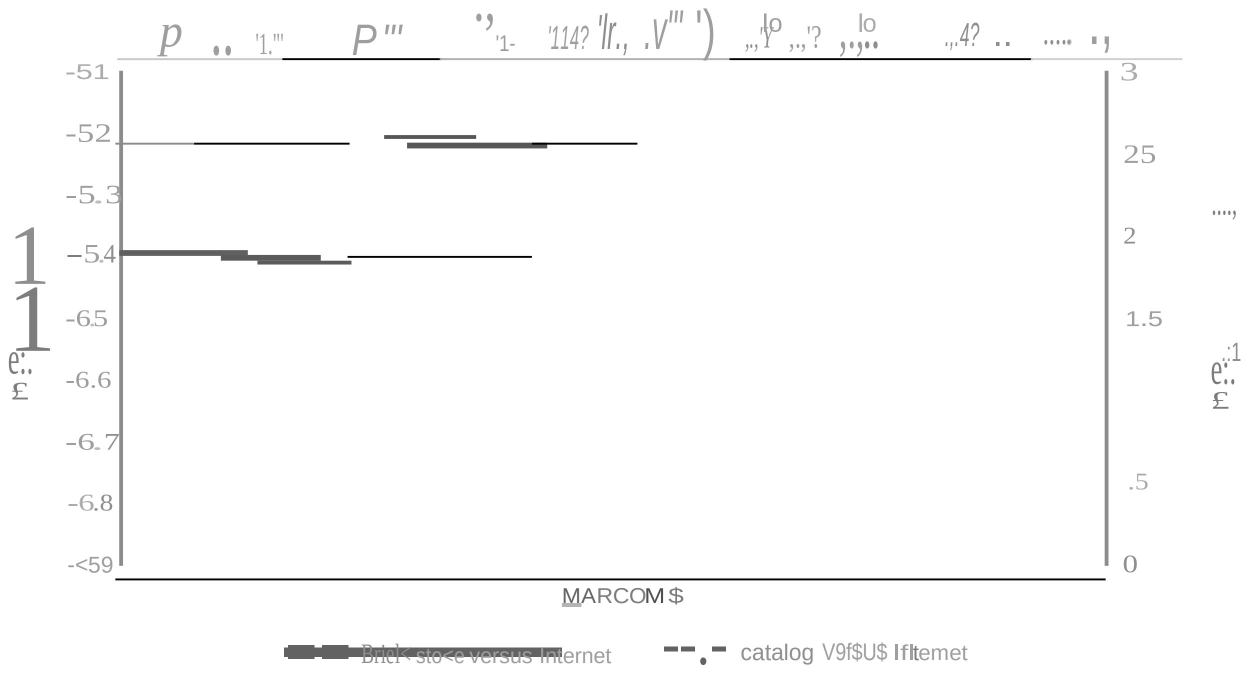
[4] Given that in the data the average number of unique purchases is between two and three, we determined that it was best to assume that the customer was making his or her first repeat purchase.

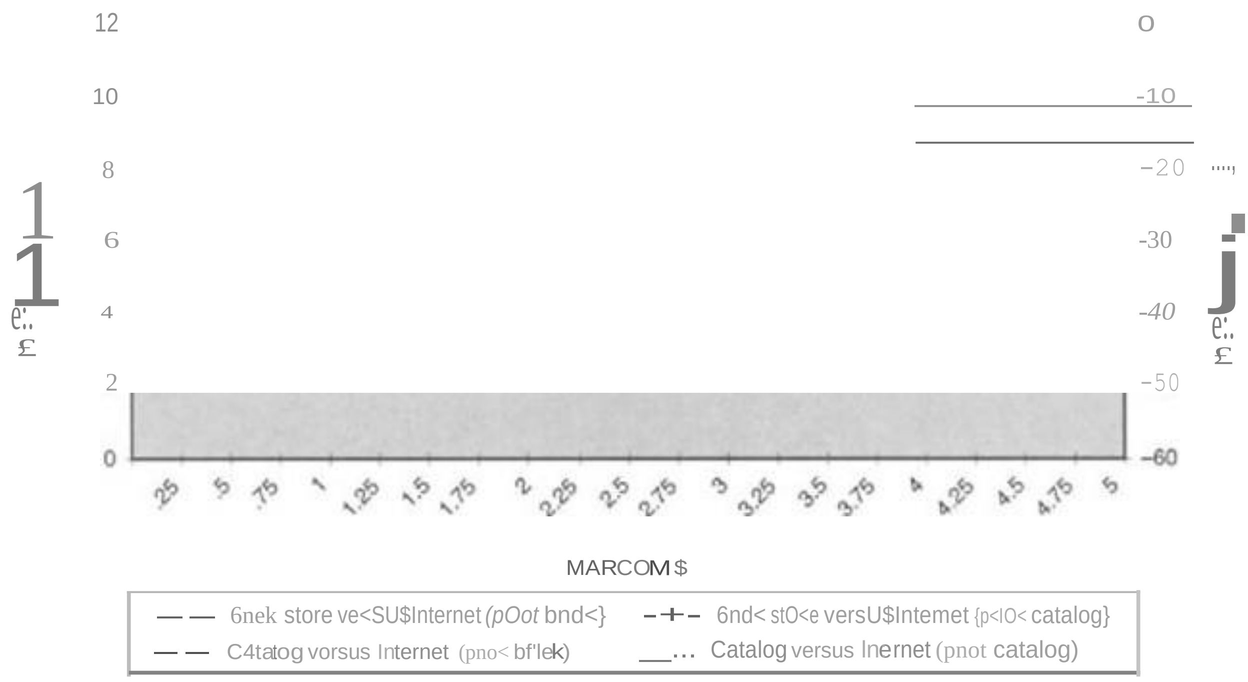
[5] Although we do not show this in Figure 1, we also used the parameter estimates to assess the choice between the physical bricks-and-mortar store and the catalog.

Figure 1: Effect of MARCOM Expenditure on Channel Choice

A: Segment 1



B: Segment 2



Note: The scaling of the vertical y-axes should be conceptualized as the odds of choosing the specific channel versus the Internet.

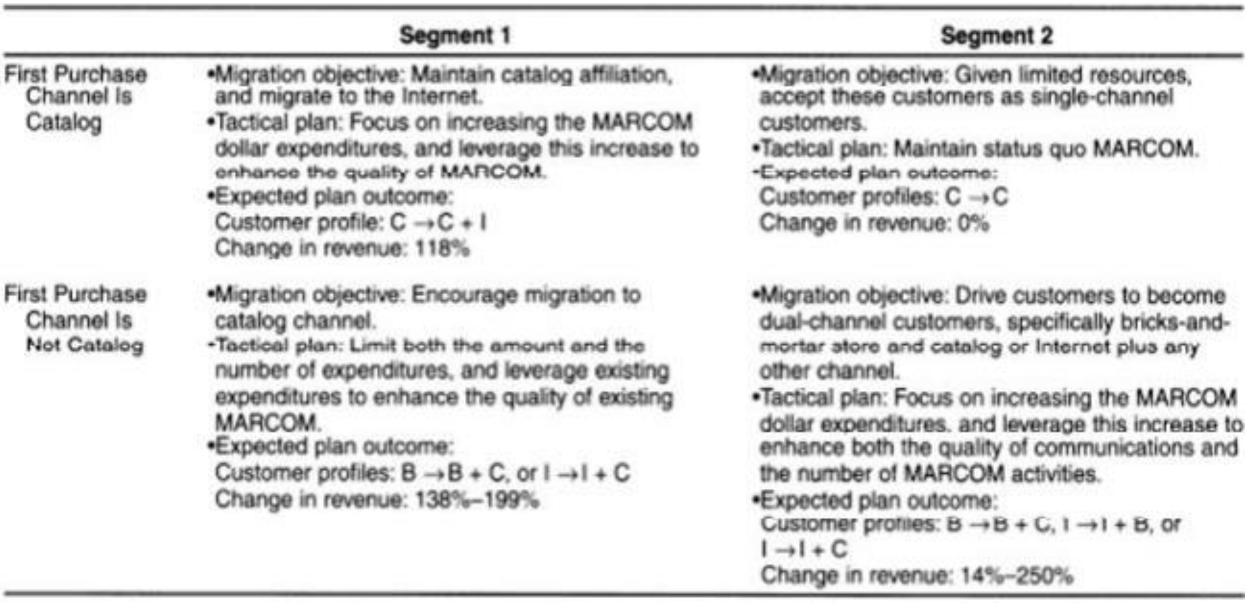
communications drives this group of customers away from the catalog (see Table 3). On the basis of all this information, we conclude that the best way to drive these customers toward the catalog is to limit the amount of MARCOM spending and the number of contacts.

Although both segments exhibit channel loyalty, Segment 2 customers exhibit even higher levels of channel loyalty. This makes the channel of first purchase an even more important predictor of future choices. This also suggests that encouraging a person in Segment 2 to use all three channels is extremely difficult. Given that Segment 2 is channel loyal and that catalog-only customers generate the most revenue of all the single-channel customers (see Table 1), with limited MARCOM resources, it is better to focus a channel migration initiative on customers in Segment 2 whose first purchase was not through a catalog. Using the data in Table 1, we determine that the most desirable migration profiles for this subgroup are for first-time bricks-and-mortar store customers to become store and catalog customers and for first-time Internet customers to migrate to either of the other two channels. In addition, the estimates and elasticities from Table 3 suggest that for this subgroup, both the amount and the number of MARCOM expenditures are instrumental in achieving these migration objectives.

In Table 6, we summarize the specific MARCOM goals, a tactical plan, and the expected outcome of that plan for both segments. We derived the financial outcomes that appear in Table 6 using a segment-specific comparison of the revenue generation from a single-channel customer becoming a dual-channel customer (e.g., a catalog-only customer becoming a catalog and Internet customer in Segment 1). On the basis of these expected financial outcomes, we conclude that the potential payout may be greater if the firm focuses its incremental MARCOM resources on customers whose first channel was not the catalog.

Although the financial projections of the initial MARCOM strategy appear promising, it is critical that the firm asks one final question before moving forward: What are the costs associated with the different MARCOM activities? This information was not available for these data. However, before adopting any MARCOM plan, the expected payout must be compared with the expected costs that are used to generate that payout.

Table 6:
Initial MARCOM Strategy



	Segment 1	Segment 2
First Purchase Channel Is Catalog	•Migration objective: Maintain catalog affiliation, and migrate to the Internet. •Tactical plan: Focus on increasing the MARCOM dollar expenditures, and leverage this increase to enhance the quality of MARCOM. •Expected plan outcome: Customer profile: C →C + I Change in revenue: 118%	•Migration objective: Given limited resources, accept these customers as single-channel customers. •Tactical plan: Maintain status quo MARCOM. •Expected plan outcome: Customer profiles: C →C Change in revenue: 0%
First Purchase Channel Is Not Catalog	•Migration objective: Encourage migration to catalog channel. •Tactical plan: Limit both the amount and the number of expenditures, and leverage existing expenditures to enhance the quality of existing MARCOM. •Expected plan outcome: Customer profiles: B →B + C, or I →I + C Change in revenue: 138%–199%	•Migration objective: Drive customers to become dual-channel customers, specifically bricks-and-mortar store and catalog or Internet plus any other channel. •Tactical plan: Focus on increasing the MARCOM dollar expenditures, and leverage this increase to enhance both the quality of communications and the number of MARCOM activities. •Expected plan outcome: Customer profiles: B →B + C, I →I + B, or I →I + C Change in revenue: 14%–250%

Step 5: Classify Prospects and First-Time Customers into Existing Segments

A significant benefit of this MARCOM process is using it to classify prospects and first-time customers. The earlier a firm can accurately classify a customer, the more efficiently and effectively it can leverage its MARCOM plan. In this step, we classify customers before their first purchase and update this classification after the first and second purchases. We iterate the classification process three times to demonstrate the accuracy and degree of improvement in classification that comes with added customer interaction data.

In this step, we used a tree approach for classifying customers (Breiman et al. 1984). Specifically, we used both CHAID and CART and compared the results in terms of predictive accuracy. The segment profile in Table 4 provides the best guide for variables that can be used to classify prospects and customers. The usefulness of the profile depends on the amount of information the firm has about customer characteristics, early purchase behavior, and the distinctiveness of that information across segments. In these data, the most distinguishing pieces of information are the distance the customer lives from the bricks-and-mortar store and the channel of first purchase. The channel choice estimates from Step 1 of this process confirm that distance is a significant driver of channel choice. Given the channel migration patterns that we uncovered in Step 3, we can conclude that the sequence of channel choices from the first to the second purchase might also aid in classification.

Thus, using only the distance from the closest store, we estimated a classification tree using a training sample of 2081 customers, and we tested it on a different set of 2081 customers. We found that, in general, the CART and CHAID results were similar, but the CART procedure was slightly more accurate with respect to prediction in Segment 1, the segment that generates the most revenues. From the CART results, we found that the overall risk of misclassification using only the distance measure was 21.39%, which we computed by dividing the total number of incorrectly classified customers in the test sample by the total number of customers in the test sample. We accurately classified 52.15% of the Segment 1 customers and 87.69% of the Segment 2 customers; we computed this by dividing the number of customers that CART predicted to be in a segment by the number that are truly in that segment. Using this classification, an initial contact strategy consistent with segment behavior and firm goals would be to select Segment 1 customers and send them a more extensive catalog that emphasizes the breadth of the product line and informs them of the Internet channel. In contrast, the initial contact for potential Segment 2 customers would be a communication piece (e.g., a postcard) that encourages them to make a purchase in a bricks-and-mortar store.

Although the channel of first purchase is not a perfect discriminator of segment membership, it can help classify a fraction of the first-time buyers. This is because a comparison of the segment profiles in Table 4 suggests that a customer whose first purchase is from the catalog is most likely a Segment 1 customer. However, given that a sizable number of customers in both segments make their first purchase in a store or on the Internet (see Table 4), it is difficult to assign these customers to segments. Using both the distance and the channel of first purchase, the CART procedure accurately classified more Segment 1 customers (74.55%) and fewer Segment 2 customers (78.46%). Because Segment 2 is significantly larger than Segment 1, the overall risk of misclassification increases to 23.49%.

On the third iteration of the CART procedure, we used distance, channel of first purchase, and channel of second purchase to classify customers. The motivation for adding this third variable was based on the degree of channel stickiness in Segment 2 and the migration toward the catalog in Segment 1 (see Table 5). The results from this iteration showed that there was only a 12.05% risk of customer misclassification. We accurately classified 74.01 % of the Segment 1 customers and 92.74% of the Segment 2 customers. Thus, as the firm gains information, the classification improves. However, using only information that is known before the first purchase (i.e., distance from the store), for these data, the CART procedure predicted segment membership with approximately 80% accuracy.

Step 6: Update Segment Affiliation

This step reiterates Steps 1-4 on existing customers. The timing of when to implement Step 6 depends on the dynamics in a firm's market and the degree to which customer behavior changes over time.

SUMMARY, LIMITATIONS AND FURTHER RESEARCH

Although the insights derived from this analysis are specific to these data, the process that we describe is generalizable. Our application demonstrates that analyses can be conducted to enhance the targeting and management of customers in a multichannel context, even if a firm is just beginning to develop an enterprise database. A key benefit of this process is that it leads to insights that can be used to classify prospects into segments quickly. As MARCOM tactics become more sophisticated and costly, early and accurate customer identification is even more critical, and this process becomes more valuable.

A limitation of the inferences that we derive from using the process is that our data do not account for the nature or content of the MARCOM. For example, the device might be a specialty coupon, such as a buy-one-get-one-free pro- motion, or it may be a postcard that focuses on a particular category. Given our data, we simply examine the dollar expenditures and the number of MARCOM activities. An avenue for further research is to apply this process to more specific data on the communication devices themselves.

Another area for further research is to gather and incorporate shopping-level data with the purchase data to track customers through all interactions with the retailer (Nunes and Cespedes 2003). The data can be included in the choice model specification as we describe in Step 1. In addition, there is a need for theoretical models of customer buying behavior across multiple channels. Schoenbachler and Gordon (2002) introduce one such model, and researchers such as Kumar and Venkatesan (2005) have tested some of its components and found promising preliminary results for multichannel shopping behavior. The current research is a first step toward helping retailers understand the value and use of enterprise data. Although we demonstrate how MARCOM can benefit from the investments made in developing enterprise data, research in other areas, such as inventory management (e.g., Bendoly et al. 2005), could also benefit from the data that comes from channel integration

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Marketing in the PVR Era - An exploratory study into changes in viewing habits and brand recognition of young adults in South Africa

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ABSTRACT

The Personal Video Recorder (PVR) appears to be having a profound effect on the viewing habits of young South African adults between 16 and 34 years of age. This exploratory study investigates the effect this technology is likely to have on the consumption of television content by considering both programming and advertising. If advertising becomes shunned, it may be more difficult for marketers to promote their brands through this mass media channel. The two main motivations to use PVR were found to be the desire for more control over one's television viewing, and the desire for instant gratification. Whilst the study found that respondents were very enthusiastic about 'zapping' advertisements, every cloud has a silver lining. The level of advertising awareness still remained high during fast-forwarding, therefore leading to brand recall. If the actual content within the advertisement is important, advertisers are advised to air their commercials during programming which is typically not recorded (e.g. news broadcasts or soap operas) or to strategically place their message at the start or end of the ad break. Nonetheless, it was found that new products and brands stand at a disadvantage in terms of gaining exposure within the PVR environment.

Keywords – Personal Video Recorder, brand recognition, advertising awareness, media consumption, youth, South Africa

The Personal Video Recorder (PVR) is a television set-top box that consists of a sophisticated hard disk, which provides a whole variety of functions that can influence one's television viewing habits (Pearson & Balwise, 2008). This hard drive, along with software features, allows users to record, pause, play back, rewind and fast-forward television programmes with greater ease than a video cassette recorder (VCR) (ibid). In addition, PVR allows its users to pause live television for up to 120 minutes, show instantaneous replays, and restart programmes whilst they are still being broadcast (DSTV, 2008). PVR subscriptions in South Africa have grown from 38 720 in 2006 (one year after the product launch) to 296 720 in 2009 (The Media Shop, 2009).

RESEARCH PROBLEM

The effect that the PVR is having on television viewing habits and advertising awareness has drawn attention around the world. However, the majority of studies have been conducted in high-income countries, such as the US and UK, with little research having been done in emerging markets, notably South Africa. In addition, PVR is still a relatively new technology that has yet to be properly established as a common household good. There is therefore scarce information available for advertisers in South Africa to use when trying to determine the effects that PVR is having in this country. To this end, this study aims to establish the effects that PVR is having in South Africa by profiling its users and investigating the effects that the technology is

having on their television viewing habits and advertising awareness. The focus will be on young South Africans (16-34), as they are generally deemed to be more proactive as early adopters of technologies and will likely continue to use this technology well into the future.

LITERATURE REVIEW

Basic motivation behind PVR purchase and use

In their Technology Acceptance Model (TAM), Bagozzi, Davis and Warshaw (1992) state that when consumers are deciding whether to adopt a new technology, they are faced with two decision-facilitating factors: the perceived usefulness of the technology, and the perceived ease of use of the technology. The TAM is thus in line with Rogers' (1964) Diffusion of Innovations, in which a technology's ease of use also has an important role. However, the TAM has been criticized due to its lack of explanatory and predictive power (Venkatesh & Davis, 2000).
A relatively newer model of product adoption, the Lazy Model of Solution Selection (LUM), may also be relevant to PVR technology. This model states that a user develops a *user need*, and the *user state* lays out the various solutions available to fulfill that need. Once the user has defined their various solutions to the problem, they will choose a solution from the given set, which requires the lowest level of effort. This effort is defined as monetary cost + time needed + physical or mental effort needed. Thus, according to this model, as long as PVR is not perceived as too costly by potential users, and is perceived as a quick and effortless technology to use, it is likely that it will be adopted by consumers in fulfilling their various television viewing needs (Collan & Tetard, 2007).

When PVR was first introduced in America in the late 1990's, the adoption of the technology was very limited and growth was extremely slow, primarily due to poor user education and high costs (Thurrott & Furman, 2004). In an InStat (2006) consumer survey, it was discovered that three primary reasons existed for consumers not incorporating PVR into their homes. Firstly, the technology was thought to be too expensive; secondly, many people did not see the benefits of PVR over a VCR; while thirdly, many consumers were simply not interested in recording TV. Bagozzi *et al* (1992), the developers of the TAM, state that due to the complexity of a new technology, and the sense of uncertainty in the mind of the potential user, people form attitudes towards *trying to learn* to use the new technology as opposed to actually initiating use of the product. This fear of the unknown could therefore have negative consequences and explain the why the PVR's initial rate of adoption was sluggish.

However, since the late 1990's, more and more people have discovered the benefits of PVR, which has motivated them to adopt the technology. It is argued that a key motivator for consumers to purchase the technology is the desire to maximize leisure time (Ipsos Media, as cited by Creative Match, 2005). A current and increasing trend amongst consumers is the desire for instant gratification, an intrinsic need that refers to receiving what one wants, when one wants it. Furthermore, it has been noted that this desire for instant gratification is due to increased time pressures in today's environment. Vasquez (2007) found that when given a choice between more free time and money, 40% of respondents questioned chose time, further demonstrating that higher workloads and increased time pressures have resulted in a lack of free time. PVR aids in solving the problem of greater 'time poverty' by allowing consumers to watch their desired programmes at their own schedule, whilst creating more free time in order to undertake other leisure activities.

A further primary motivation to purchase PVR is that consumers believe that they are less likely to be subjected to advertisements (Ferguson & Perse, 2004). It has been discovered by Tivo, as cited by Harris (2007), that about 30% of people recording popular shows in America shifted their viewing by an hour or less in order to avoid interminable commercial breaks that plague US network television. Ipsos Media, as cited by Creative Match (2005), found that the number of people doing this is closer to 50%. This trend may pose as a potentially detrimental threat to advertisers in South Africa, as PVR adoption in the country increases.

Reiss (2000) found that one of the basic needs that drive human behaviour is the desire for order and an organised, stable and predictable environment. This basic need can be linked to another strong motivation for consumers to utilise PVR technology, which is the desire for control. In general, consumers have been reported as feeling more in control with their PVR, as well as being less likely to channel surf (Ferguson & Perse, 2004). Indeed, Ferguson and Perse (2004) found that consumers using PVR technology consider television viewing to be more enjoyable than those who do not use PVR, who only consider it as moderately satisfying. In an InStat survey (2003), it was discovered that the level of satisfaction linked with PVR is exceptionally high. Results found that 89% of PVR respondents reported to being either 'Extremely Satisfied' or 'Very Satisfied' with their PVR offering. The satisfaction that PVR provides, in terms of control and enjoyment, could in fact have a positive effect on advertisers. This is because many consumers use television viewing as a form of relaxation and entertainment. Greater control over their television viewing may lead to consumers spending more time watching television which may lead to greater advertising exposure and thus, result in even greater benefits for advertisers. In order to better understand the possible effects that PVR could have on television advertising awareness, it is vital that advertisers not only look at who is using the technology and why.

The effect of PVR on television viewing habits

Research that has looked into the number of PVR users who actually fast-forward through adverts has provided equally contradictory results. Next Research, as cited by Ad Age (2007), claim that viewers' likelihood of watching commercials when viewing programmes with PVRs versus live TV is nearly the same. Only 1% said they always watch the adverts when using a PVR or watching live TV, while 60% said they occasionally watch them with PVRs and 62% with live TV. This is in stark contrast to research conducted by Ipsos Media, as cited by Creative Match (2005), which found that nine out of ten PVR users, and 97% of the critical 16-34 year old audience, fast-forward through the ads 'always' or 'almost always'. Pearson & Barwise's (2008) results were less extreme, finding that of those commercials that were time-shifted, 32% were played back at normal speed, with the remaining 68% being fast-forwarded.

Of those who do fast-forward the adverts, most do so not because they dislike the adverts but because they want to save time (Vasquez, 2007). People were also found to skip through irrelevant bits while keeping an eye out for categories that interested them. This suggests that people are willing to watch adverts that are entertaining or for products that interest them. Indeed, Next Research, as cited by Ad Age (2007), found that 92% of people watch adverts that are entertaining while 69% watch for products that they are interested in. Their research is supported by Tivo, as cited by Harris (2009), which found that the adverts least likely to be time-shifted were those for movie trailers and those that were seen to be funny.

PVR users who do fast-forward through adverts have a choice as to what speed they do so at. Not surprising then, the majority (66%) of fast- forwarded adverts in Pearson & Barwise's (2008) study were done so at the maximum speed, so as to save as much time as possible. This provides a particular challenge to advertisers who must ensure that their adverts are still distinguishable at these high speeds. However, as with Next Research, as cited by Ad Age (2007), and Tivo, as cited by Harris (2009), Pearson & Barwise (2008) noted that entertaining and relevant adverts were still likely to be noticed. They found that when viewers in control of the remote were fast-forwarding through commercials, they sometimes commented on particular commercials, watched them at slower speeds, and occasionally even rewound them to watch them again. Furthermore, they found that viewers not in control of the remote also concentrated closely on the screen and interacted with the adverts. Evidence of similar behaviour comes from Next Research, which found that during a recent Super Bowl game in the US, a 90 second Pepsi advert featuring Britney Spears was rewound more than the winning field goal in the final seconds (Ad Age, 2007).

Other reasons why people do not fast-forward through adverts include the fact that they simply forget to do so, often as a result of being distracted (Pearson & Barwise, 2008). It was also found that time-shifted adverts had particular impact when positioned next to serious programmes, as people often forget to fast-forward the adverts due to the intensity of such programmes. Findings such as these may help advertisers in deciding where to place their adverts so as to get the maximum exposure possible.

In order to better understand how to place their adverts, marketers must know when exactly PVR users are most likely to record programmes. Fortunately, the majority of studies conducted thus far have found a strong correlation between programme type and the amount of time-shifted viewing, and are in accordance with each other with regards to the types of programmes that are most likely to be time-shifted. Dramas, series, soap operas, and comedies are among the most recorded shows (Plunkett, 2009).

It is important that broadcast networks take note of the level of time shifting that is taking place on their channels. Vasquez (2007) found there to be a positive relationship between the amount of time shifting a programme receives and its popularity. Popular shows, including the most time-shifted genres of programmes, such as dramas and series, are often broadcast during prime time evening viewing when audience figures are thought to be at their highest. Not surprising then, Sky TV found that prime time evening viewing is the time of day when most time shifting occurs (Whitehead, 2007). Due to the large potential audiences at this time, prime-time commercial slots usually attract the highest revenues for broadcasters (Vasquez, 2007). Broadcasters may therefore be led to think that a high level of time shifting occurring on their channels is a good thing, as it indicates that they have many popular shows, which have the potential to attract large advertising revenues. However, advertisers may think twice about advertising on popular programmes that experience high levels of time shifting if they believe that people who time-shift such programmes will simply fast-forward through their adverts. Marketers may therefore not be the only ones to possibly lose out as a result of the PVR technology. If marketers decide to abandon television as a means of advertising their offerings, broadcasters will also lose a lot of money and will have to find other ways to make up the lost revenue.

News and sport are the least likely programmes to be recorded, mainly due to the importance people hold in watching them as they happen (Vasquez, 2007; Plunkett, 2009). In line with this finding, The Nielsen Company, as cited by Crape (2007), confirms that sports and news programmes also have a higher than average playback occurring closer to the original broadcast. Vasquez (2007) noted that many reality programmes also experience lower levels of time-shifting, most probably due to the water cooler cachet attached to them in that people often want to see the results of such shows first hand before they become old news. Furthermore, it was found that music and cartoon channels and their related shows are not likely to be time-shifted (Plunkett, 2009). Pearson & Barwise (2008) discovered that this was due to the fact that music and cartoons are on TV all of the time. Music and cartoon shows often also do not follow on from each other, as is the case with dramas and series, leading to people not feeling the need to time-shift them.

As far as days are concerned, Vasquez (2007) says that time-shifting activity increases as the week goes on until the weekend where it drops off. Friday nights experience the most time shifting, as people are more likely to go out then. Programmes broadcast on the weekend on the other hand were less likely to be time shifted as people are more likely to be at home during this time and so have the opportunity to watch them live. These findings will further aid advertisers in deciding where and when to place their adverts so as to get the maximum possible exposure.

The effect of PVR on television advertising awareness

The main objective of advertising is to promote and raise awareness of products and services to a large audience (Gregory, 1993). Awareness refers to the first stage of the learning process about a new product, service, or idea in which the consumer has received information about the existence of the innovation but has not yet formed an opinion (Keller, 2003). According to Radder and Huang (2008), brand awareness is the consumer’s ability to identify a brand under different conditions. This can take the form of brand recognition and brand recall. Brand recognition assumes prior exposure to the brand and consumers are only likely to correctly identify the brand once they have been given a cue (Radder & Huang, 2008). However, consumers may be able to recognise many brands, but only recall a small number. Brand recognition is therefore considered as the minimum level of brand awareness and is based on aided recall. According to Keller (2003), brand awareness is created and enhanced by increasing the familiarity of the brand through repeated exposure. Once the consumer has had enough exposure to the brand, the brand will take root in memory. Advertising therefore represents an important means of increasing brand familiarity and therefore brand awareness. Furthermore, the verbal and visual effects of television (TV) advertising help entrench the brand name into the consumer’s memory.

TV advertising is typically processed at a low-involvement level. Although TV advertising is able to reach a large target audience simultaneously, laboratory research shows that it has little effect on individual attitude change (Ray, 1973). Most TV viewers are not involved with either the advertising or its topics and the content is not critically analysed. Even though TV advertising may not directly change attitude, overwhelming repetition may make possible shifts in cognitive structure. Information which enters the memory through low-involvement processing is directly stored via the emotional centres of the brain straight to the long-term, implicit memory without any conscious filtering (ThinkBox, 2008). TV advertising is therefore well suited to thematic or brand messages that need to be remembered for the long-term. TV advertising also represents an effective method of increasing a set of associations around a brand. However, consumers now have more options for controlling their exposure to advertising messages with devices such as PVR (Andras, Kwak & Zinkhan, 2009). PVR allows consumers the option of fast-forwarding through commercials on time-shifted programmes at varying speeds and therefore the level of advertising awareness may be hampered.

Previous studies conducted on the effect that PVR has on TV advertising has resulted in varied views and the true effects of PVR are still unknown. Pearson and Barwise (2008) suggest that PVR has had little affect on advertising awareness to date. According to their study, most consumers use PVR as a backup when there is nothing else to watch live. Consequently, only 30% of PVR owners use the time-shifted feature, while 70% still viewed live TV. The findings of this study suggest that the impact of PVRs on advertising exposure is limited and the proportion of commercials that are fast-forwarded are not yet significant with respect to the large number of commercials seen. Pearson and Barwise’s findings coincide with a study conducted for Multichoice South Africa. In this study it was found that 51% of respondents interviewed claimed to watch more TV than before the introduction of PVR and over 70% claimed that most of their viewing was still live. Therefore, it is suggested that the impact of PVR on advertising awareness in the short to medium run has been exaggerated and that PVR is currently having little effect on commercial awareness.

Wright (2007) believes that the use of PVR actually increases advertising awareness as more attention is paid to the TV, and therefore the advert, whilst fast-forwarding. Therefore, there may be a relationship between having a PVR and attention. Attention can be defined as the cognitive process whereby a person concentrates on some features of the environment to the relative exclusion of others (Treismen & Gelade, 1980). According to a study conducted by Pearson & Barwise (2008), the participants often demonstrated high levels of attention and significant interaction with time-shifted advertisements both watched at normal speed and fast-forwarded. This may be due to the high levels of interaction with the advertisements whilst fast-forwarding and the fact that live commercial breaks are mostly used as a convenient interlude to do other things. They believe that the term ‘speed-watching’ may be more appropriate than fast-forwarding as the participants’ visual attention often remained high. Even though the viewer is interested in skipping the adverts, consumers may be subconsciously aware of the products and brands that are being advertised (Wright, 2007). This concept can be linked to the theory of subliminal perception which refers to the consumers' ability to perceive stimuli without being consciously aware that they are doing so (Beatty & Hawkins, 1989). Du Plessis (2009) supports this theory and believes that PVR increases viewer involvement, thereby aiding their subconscious awareness of brands displayed in the commercials, as opposed to normal TV.

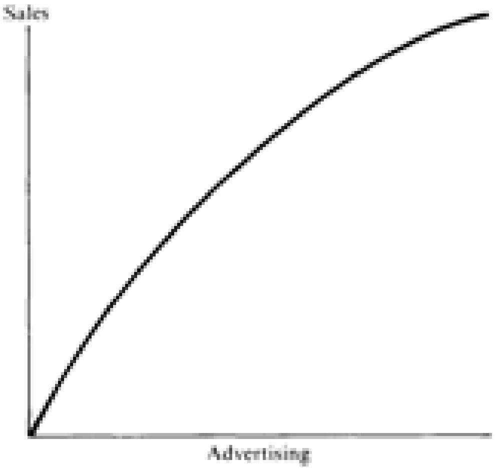
However, it is important to note that the implications of PVR on advertising are dependent on what the advertisement is supposed to achieve. Advertising objectives include the ability to inform, persuade and remind consumers about the company, product or service (BNET, 2009). Devices such as PVR only allow consumers to briefly see glimpses of an advert whilst fast-forwarding. Therefore, while PVR may help remind consumers of certain brands aiding in brand awareness, it may prove ineffective when attempting to persuade consumers to switch brands or when trying to inform them about certain product qualities (Du Plessis, 2009). Moreover, consumers must have previous knowledge of a given brand in order to recognise it whilst fast-forwarding (Kang, 2008). According to Radder and Huang (2008), brand recognition assumes prior exposure to the brand and only when given a cue will consumers be likely to correctly identify the brand as being previously heard or seen. Therefore, only once consumers are cognitive of certain brands, fast-forwarding may increase the consumers' recall of them which may lead to higher advertising awareness (Du Plessis, 2009).

Research conducted by Chicago-based Information Resources Incorporated found that PVR households purchase 5% less of new products than non-PVR households (Neff, 2008). Out of these purchases, it is evident that food brands are impacted the most, as generally more of their advertising budgets are allocated to TV (ibid). This may correspond to the fact that, although the use of PVR to fast-forward through commercials may allow consumers to recall brands they are familiar with, it does not allow the consumer to be informed about new product offerings or to be persuaded to try new brands (Du Plessis, 2009). Therefore, new or unknown brands advertised on TV may suffer from the use of PVR by consumers.

Bernoff (2004) found that PVR users report spending nearly 60% of their time watching recorded or time-shifted programmes in which 92% of commercials are fast-forwarded. This is in contrast to the study conducted by Pearson and Barwise (2008) where only 30% of PVR users reported to using the time-shifted feature. Nevertheless, Bernoff (2004) states that the average PVR user only sees 46% of the adverts in the programme being watched. Accounting for the low levels of attention ordinary viewers pay to adverts, he estimates that PVR devices reduce advertising attention by an additional 40%. However, as previously mentioned, the fast-forwarding of adverts is uneven and it has been found that viewers tend to watch more humorous adverts as well as adverts in news or sports programmes. One must also not overlook the fact that PVR enables consumers to watch more TV within a given period of time, therefore allowing more adverts to be seen during that interval (Du Plessis, 2009).

TV advertising may be threatened via viewer attention despite the advent of PVR. Du Plessis, CEO and founder of Millward Brown in South Africa, suggests that it is a growing reality that advertisers are losing the attention of their TV audiences irrespective of the effect from devices such as PVR (Du Plessis, 2009). The declining attention towards TV advertising can be illustrated by the use of a response curve. A response curve is used to refer to the qualitative relationship between some input of advertising and some output of presumed value to the advertiser (Simon & Arndt, 1980). Input measures may include the size and frequency of adverts as well as the monetary advertising expenditure, whilst output measures may include sale effects as well as indicators of consumer ad recall, attitudes, or intention to buy. The two proposed shapes of the response function include a) the convex response curve and b) the s-shaped response curve as illustrated below:

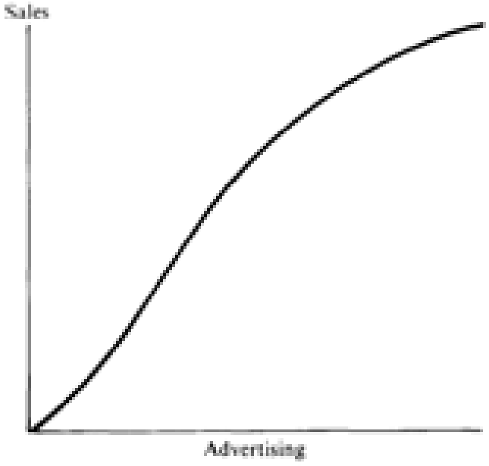
Figure 1a: The convex response curve



Source: Simon & Arndt, 1980

The convex response curve applies to products for which the first exposure of the advert produces the best return and all subsequent exposures produce slightly lower responses (Simon & Arndt, 1980).

Figure 1b: The s-shaped response curve



Source: Simon & Arndt, 1980

The s-shaped response curve, however, applies to products that require a certain number of exposures to reach a threshold of greatest response, and after that threshold is reached, the response diminishes for each subsequent exposure. Du Plessis (2009) believes that these response curves are shifting to the right implying that advertisements increasingly need more input or exposure in order to create the desired effect. The declining attention of consumers may be a result of the enormous amounts of advertising clutter and noise that they are exposed to each day (Rotfeld, 2006). This process known as 'perceptual blocking' and involves consumers being able to protect themselves from being bombarded with advertisements by blocking such stimuli from their conscious awareness (Palmer & O'Neill, 2003). Nevertheless, a study released by the Television Bureau of Canada found that, of the respondents who use PVR to fast-forward or skip through adverts, more than half stated that they will stop to watch commercials that they find interesting or entertaining (Paul, 2008). Therefore, the survival of mass media will depend largely on the quality of content as well as the way that it is delivered (Moerdyk, 2005).

Combating the ad-elimination effect of PVR

It is evident that in the face of PVR, advertisers must become more vigilant and careful of how they present their brands to the increasingly sophisticated consumer (Watson, 2005). They must be innovative and create advertisements that consumers want to see and that will persuade PVR users to replay them in normal time (Vegter, 2005). Watson (2005) states that PVR may promote better commercials, as it allows people to save and bookmark their favourite adverts to watch again whilst unfavourable adverts are ignored. With respect to young people (16 to 35 years), a study conducted by ThinkBox (2008) found that they are far more positive about TV advertising than their older counterparts. This market is 2.5 times more likely to say they enjoy TV advertising and significantly more likely to say they want to buy the products being advertised (ThinkBox, 2008). Barnhoorn (2006) agrees and states that the youth are particularly susceptible to advertising with 59% of respondents declaring that they are more likely to buy a brand they see or hear advertised. However, the youth are only willing to listen to brands and advertising on the terms that they find interesting (MarketingMix, 2008). The Khuza Awards, South Africa's biggest youth marketing communications research-based awards programme, found that the biggest appeal driver is humour (ibid). Mike Gatti, executive vice president of the Retail Advertising & Marketing Association, also stated that marketers need to recognize and take advantage of the fact that technology is a huge part of young peoples' lives (Kruger, 2005). It is therefore critical to have the right media mix and integrate creative television commercials with other mediums.

Creative and innovative ways of presenting adverts in the face of PVR include the use of 'teaser campaigns' (Wright, 2007). A teaser campaign involves using brief advertisements to tease the public by only offering small chunks of information to them (Adweek, 2008). This allows advertisers to grab the attention of their viewers and encourage them to engage with the communication message in-depth, preferably with the use of an alternative medium, such as the internet (Wright, 2007). An online and TV study conducted by ThinkBox and IAB found that most digitally enabled people view TV concurrently with a laptop online. These consumers (typically the youth market) are increasingly ready to use the internet to find out more about both programming and advertising content being viewed on TV (ThinkBox, 2008). Therefore, the TV and internet combination is able to give advertisers many opportunities to engage with their target audience and enable the journey from TV to purchase to be much shorter.

Other strategic opportunities are open to TV advertisers with regards to the effect that PVR has on advertising awareness. A study conducted by NBC Universal in the US found that viewers still remember certain adverts whilst fast-forwarding up to six times the speed of regular TV using devices such as PVR (Kang, 2008). In the study, biometric measures were used to track eye movements, heart rates and the sweat production of respondents in order to assess their concentration levels. It was found that the adverts concentrated on and recalled the most, shared certain characteristics. These adverts focused the action and the brand's logo in the middle of the screen, did not rely on audio or text to tell the story, and familiar characters were often used. Recall of adverts were also more likely if they were seen live before. Sporting events represent one of the few genres that are able to attract a large number of viewers simultaneously with little audience fragmentation (MarketingMix, 2008). Most sporting events are also viewed live and therefore sport is becoming an increasingly valuable property for brands to invest in (Kang, 2008). Advertisers, therefore, should expose new adverts during live programming, such as sports events, before re-running them on programmes that are likely to be recorded. The brand's logo should also be positioned in the middle of the screen for a longer period of time. Furthermore, advertisers can plan ahead and test multiple edits of a commercial in order to see how well it performs when it is fast-forwarded.

Advertisers may also be able to strategically position their advert within commercial breaks (Wright, 2007). This may involve positioning the advert just before or just after the specific program being watched so that consumers are less likely to avoid it. Research also indicates that viewers are more likely to avoid commercials that are placed in between different programmes (i.e. in the half hour/hour mark) as opposed to commercials that appear within breaks of the main body of the programme (Chowdhury, Finn & Olsen, 2007). Advertisers are therefore able to strategize when to place their adverts so that they are most likely to be seen.

The use of different television advertising formats may also help to reduce the effect that devices such as PVR have on advertising awareness. The most common format for television advertising is that of sequential presentation. This format refers to the placement of advertisements in between programme viewing. However, the use of a simultaneous presentation format may reduce ad-avoidance intentions. This format reduces the size of the programme being viewed to fit in an advertisement with the use of split screens.

Therefore, a form of forced exposure is created which ensures that the number of people viewing the advert is equal to the number of people viewing the programme (Chowdhury *et al*, 2007). Mnet and DStv are continually exploring new ways of integrating commercial messages into and alongside content in a way that will add value to the subscriber in light of PVR technology (Wright, 2007). However, the effectiveness of this format in terms of consumer attention is still unknown (Chowdhury *et al*, 2007).

Some data also suggests that modest diversification of media plans away from TV can minimise the negative impact that PVR is having on advertising awareness (Neff, 2008). It was found that brands that spent 20% or more of their marketing budgets outside of TV were not impacted significantly by its effects (ibid). Brands may also have to find unique ways to get their message across to the consumer such as sponsorships and music festivals (Wright, 2007). Barnhoorn (2006) found that the youth are particularly susceptible to sponsorship with 56% of the respondents declaring that the chance of buying a product is significantly increased if the company sponsors a sport. An alternative method that is gaining appeal is that of product placement (Wright, 2007).

Product placement is a form of advertising where branded goods or services are integrated in a feature film, sitcoms or other television programmes that are not typically perceived to be an advertising medium (d'Astous & Seguin, 1999). The use of product placement allows advertisers to directly target their market while the viewers are effectively receiving the advertising message (Wright, 2007). However, it must be noted that implicit product placement may bring about negative ethical consumer reactions (d'Astous & Seguin, 1999).

Therefore, advertisers should assess the impact of using product placement in television programmes to ensure the disadvantages associated with negative consumer perceptions do not outweigh the benefits of advertising to a large audience.

METHODOLODGY

The population that was considered for this study consisted of young South African people, aged between 16 and 34 years. This included all races and genders, as well as all professions and levels of education and income. However, as this was an exploratory study with a strict budget, a convenience sampling technique was used. With respect to the sample size, over 270 respondents were collected, including over 100 respondents for each group (i.e. PVR users and non-users).

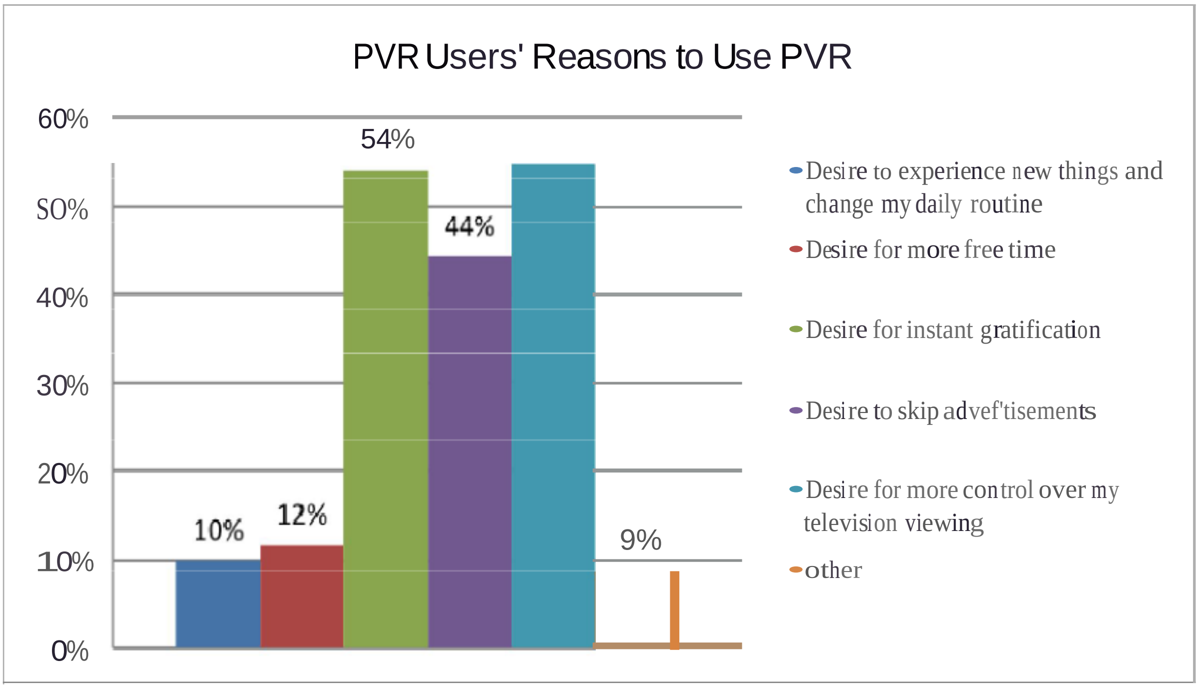
Online questionnaires were utilised due to their cost effective nature and the rapid deployment potential thereof. Descriptive statistics were used to provide an overview of the status quo, whereas Mann-Whitney U tests were conducted to determine whether material differences existed between PVR users and non-users. The non-parametric Mann-Whitney U tests were favoured to conventional t-tests as the data was not normally distributed. Throughout the analysis, a significance level of 5% was used.

RESULTS

Sample composition

The sample of 172 PVR users that was used in this study consisted primarily (58%) of 16 to 25 year olds, with the remainder of respondents being between the ages of 26 and 34. The sample was more or less evenly split between males and females, with 49% of the sample being male and 51% being female, which is very representative of the South African population as a whole. With respect to the various races found in South Africa, 57% of respondents were White South Africans, while 19% were Coloured, 16% were Black and 5% were Indian or Asian. This is somewhat within keeping of the demographics of PVR users in South Africa, as indicated by AMPS.

Figure 3: PVR users' reasons to use PVR



Adoption of, and satisfaction towards, PVR technology

Figure 3 displays the key reasons for using PVR. The three most prominent reasons were found to be a desire for instant gratification (54% of respondents), a desire to skip advertisements (44%) and a desire for enhanced viewing control (55%).

When questioned about their satisfaction with their PVR decoder, the vast majority of PVR users in the study (96%) said that they were either "very satisfied" or "satisfied". This satisfaction translated into an extremely high likelihood (95%) that they would recommend PVR to a friend.

Figure 4: PVR users' reasons to use PVR

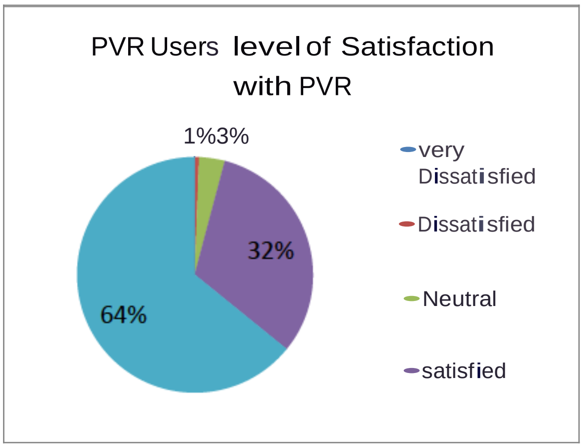
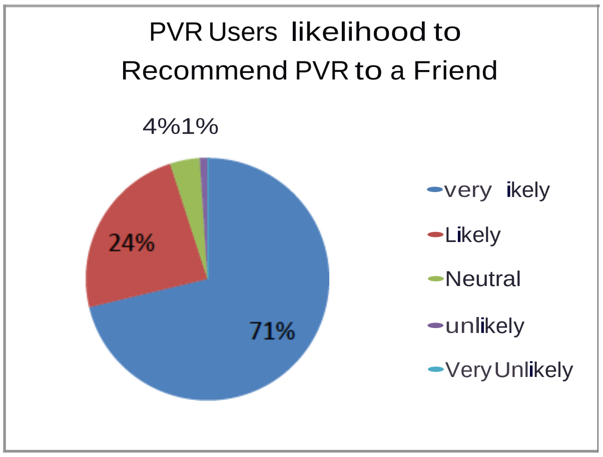


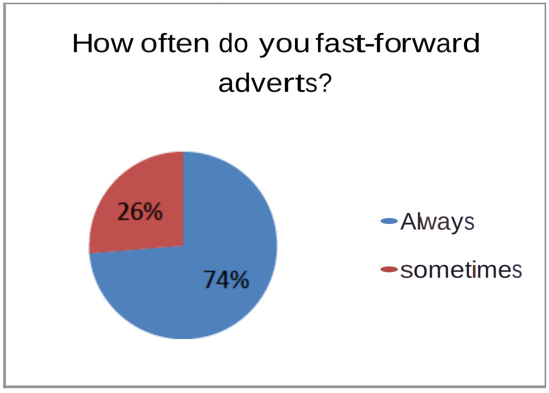
Figure 5: PVR users' likelihood to recommend PVR to a friend



The effect of PVR on South Africans' response to advertisements

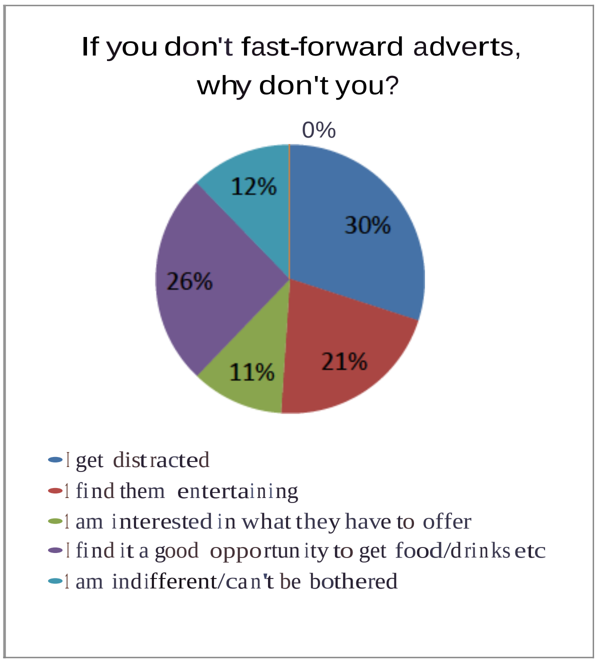
Nearly three quarters (74%) of respondents said that they "always" fast-forward adverts when watching recorded programmes. Just over a quarter of people said they "sometimes" fast-forward the adverts while no respondents said that they "never" do it. This is reflected in figure 6.

Figure 6: "How often do you fast-forward through adverts?"



Furthermore, of those who said that they only "sometimes" fast-forward the adverts, only 32% of them watch adverts because they "find them entertaining" or are "interested in what they have to offer". The rest appear not to fast-forward because they either get distracted; they find it's a good opportunity to do something else, such as go to the bathroom; or they simply just cannot be bothered. Therefore, even though these people do not always fast-forward through adverts, it doesn't mean that they necessarily watch them either. This is reflected in figure 7.

Figure 7: "If you do not fast-forward adverts, why don't you?"



The cross-tabulation below shows that White South Africans are more likely to "always" fast-forward the adverts than any other race group. Coloured South Africans are least likely to "always" fast-forward the adverts and are most likely to "sometimes" fast-forward the adverts.

Table 1: Cross tabulation – Race versus fast-forwarding frequency

	u .If: n! iii	:E	"C Q) ::: o :I O (.)	S::: nl •C;; .!!! 1: "C .E	III III nl ::E S::: :I E O (.)
Always	63%	87%	52%	63%	75%
Sometimes	37%	13%	48%	38%	25%
Average Column Profile	16%	59%	20%	5%	100%

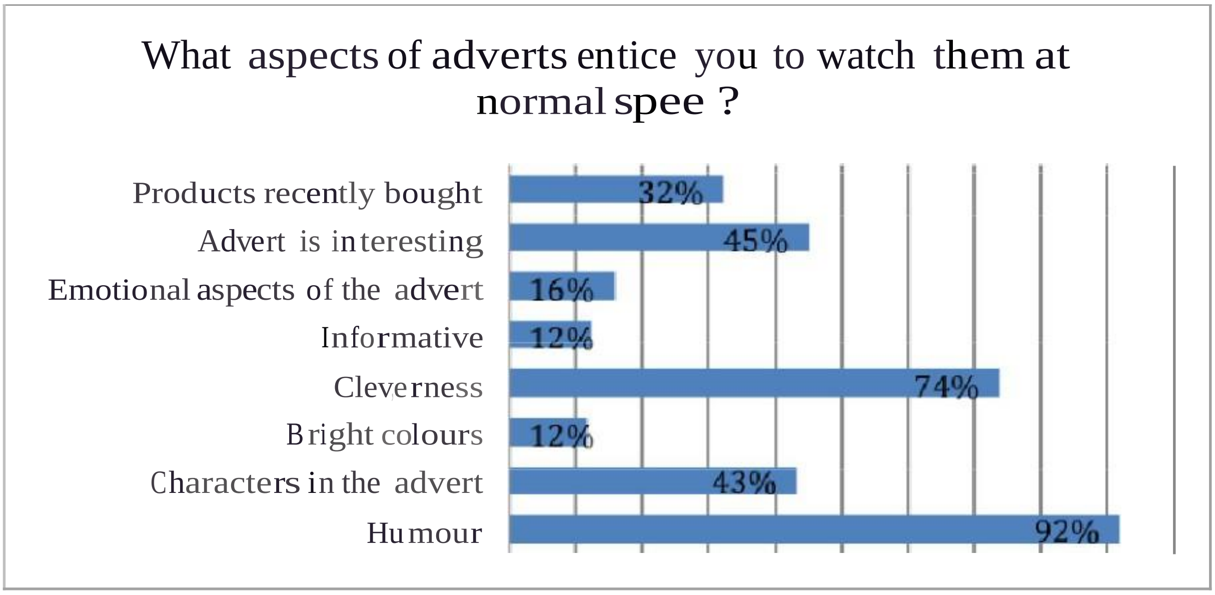
As far as gender is concerned, the cross-tabulation below (table 2) shows that males are more likely to always fast-forward through adverts than their female counterparts.

Table 2: Cross Tabulation – Gender versus fast-forwarding frequency

	Q) iii ::E	Q) iii E Q) u..	S::: E :I O (.) III III nl ::E
Always	81%	67%	74%
Sometimes	19%	33%	26%
Average Column Profile	49%	51%	100%

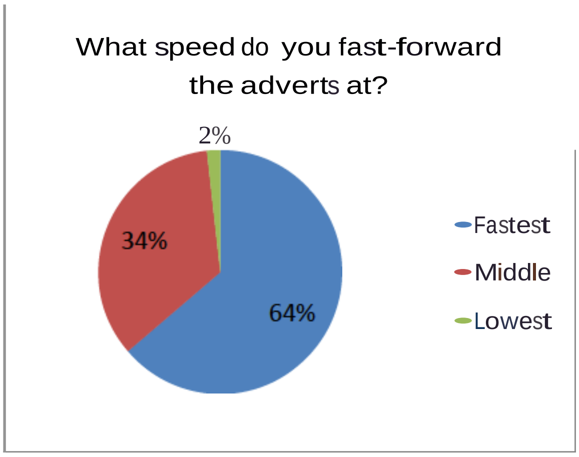
The aspects which were found to be most likely to entice people to watch the adverts at normal speed were "humour", "cleverness", and whether or not the advert was "interesting". The percentages of respondents selecting each option are depicted in figure 8.

Figure 8: Aspects of adverts which entice viewers to watch them at normal speed



In South Africa, PVR users are able to choose between three speed levels when fast-forwarding through adverts. As per figure 9, just tmder two thirds of respondents claim to fast-forward at the highest speed.

Figure 9: Speeds at which viewers fast-forward the adverts



As the cross-tabulation in table 3 reveals, eight out of ten respondents who fast-forward at the fastest speed also always 'zap' the advertisements.

Table 3: Cross tabulation – Speed versus fast-forwarding frequency

	t; ... Q.l ''' 111 1.1..	Q.l ;:;	... Q.l ''' o iii	c E :I O u Q.l 111 ... b.O Q.l >V <(= Q.l o ... o..
Always	81%	61%	67%	74%
Sometimes	19%	39%	33%	26%
Column Mass	64%	35%	1%	100%

Changes to general television viewing habits

The type of programmes that respondents most often recorded on their PVR were found to be movies, comedies, and dramas. The response rates are depicted in figure 10.

Figure 10: "Which programme genres do you record with your PVR?"

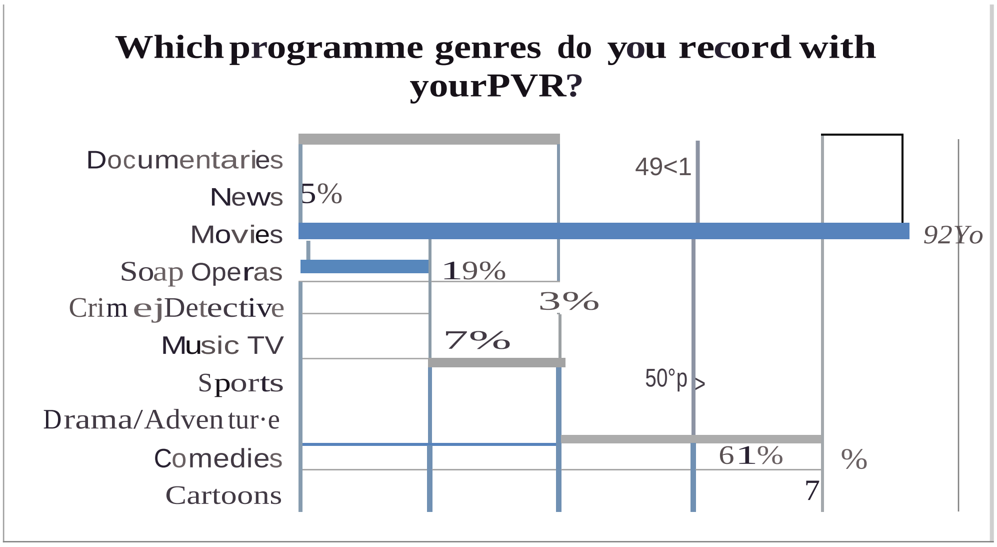


Table 4: Mann-Whitney U Test for attention paid to advertisements

Mann-Whitney U Test (Spreadsheet11)
By variable Var2
Marked tests are significant at p <.05000

variable	Rank Sum PVR	Rank Sum NON-PVR	U	Z	p-level	Z adjusted	p-level	Valid N PVR	Valid N NON-PVR
Var1	24030.00	12826.00	7776.000	1.243223	0.213787	2 043727	0 040981	171	100

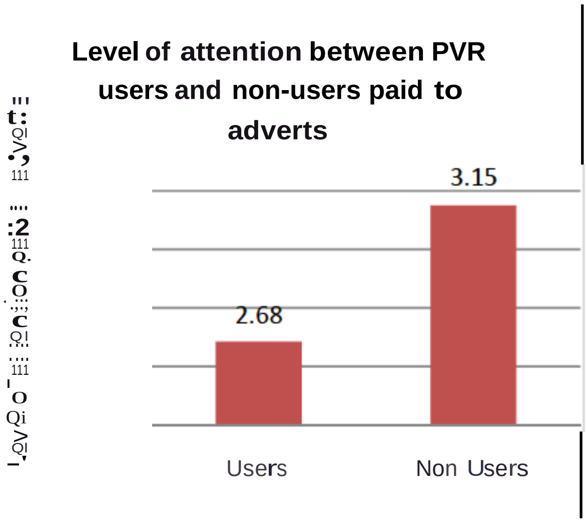
A Mann-Whitney U-test was conducted to ascertain whether a significant difference existed between PVR users and non-users with respect to the attention paid to adverts.
The hypotheses are stated as follows:

H_0: There is no significant difference between PVR users and non-PVR users with regards to attention paid to advertisements.

H_1: There is a significant difference between PVR users and non-PVR users with regards to attention paid to advertisements.

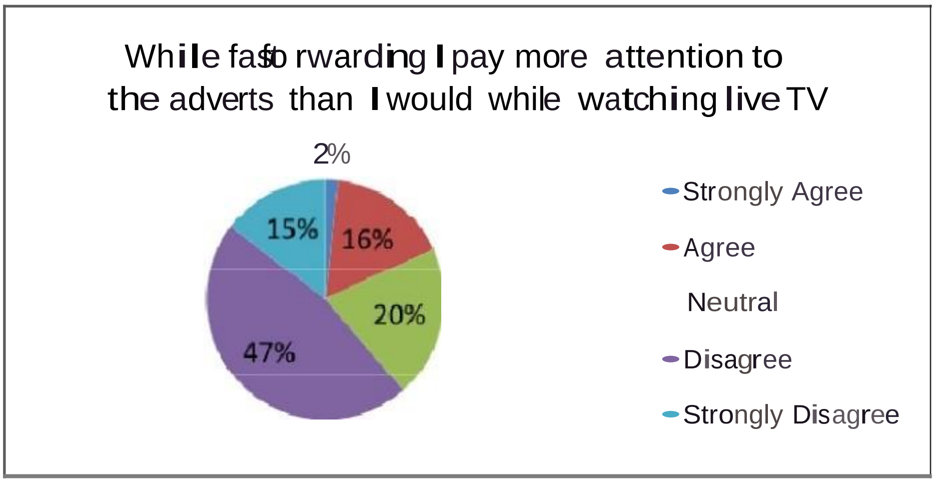
A p-value of 0.040981 was recorded. Therefore, we can reject H_0 and conclude that there is a difference (at the 5% significance level) in attention paid to advertisements between PVR users and non-PVR users. This difference can be seen from the column chart below (figure 11), which shows that non-PVR users pay considerably more attention to the adverts when watching live TV than PVR users do whilst fast-forwarding.

Figure 11: Level of attention between PVR users and non-users paid to adverts



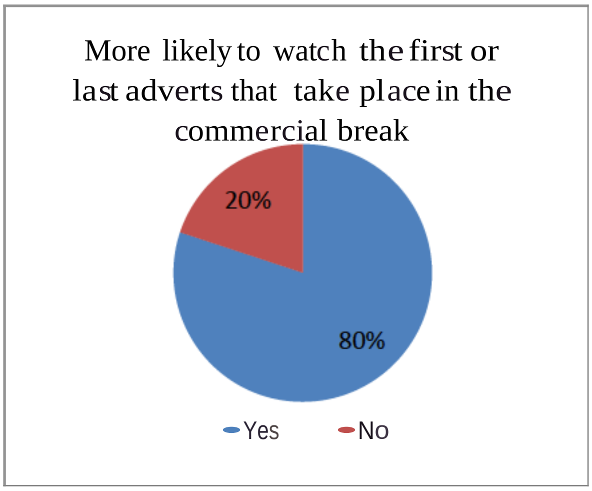
The pie chart below, figure 12, supports this claim, as it shows that the majority of PVR users (62%) believe that they pay less attention to the adverts while fast-forwarding than they would while watching live TV.

Figure 12: "While fast-forwarding, I pay more attention to the adverts than I would while watching live TV"



Nevertheless, it can be seen from the pie chart below (figure 13) that a very high number of respondents (80%) claim that they are more likely to see adverts that are placed first or last in commercial breaks (i.e. immediately after or before the programme is viewed).

Figure 13: "More likely to watch the first or last adverts that take place in the commercial break"



Recognition of brands

The study also considered whether the respondents' recognition of brands is hampered by the PVR device. A Mann-Whitney U test was used to assess the difference in the level of brand recognition between PVR users while fast-forwarding and non-PVR users while watching live TV.

The hypotheses are stated as follows:

> Ho: There is no significant difference between PVR users and non-PVR users with regards to recognition of brands.
>
> H1: There is a significant difference between PVR users and non-PVR users with regards to recognition of brands.

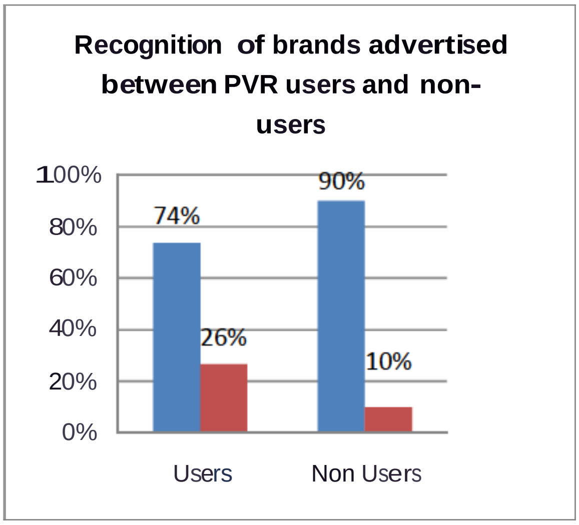
Table 5: Mann-Whitney U Test for recognition of brands

Mann-Whitney U Test (SpreadsheetS)
By variable Var2
Marked tests are significant at p <.05000

variable	Rank Sum PVR	Rank Sum NON-PVR	U	Z	p-level	Z adjusted	p-level	Valid N PVR	Valid N NON-PVR
Var1	21218.00	15638.00	6512.000	-3.27350	0 001062	-3.44035	0.000581	171	100

A p-value of 0.000581 was recorded. Therefore, we can reject H_0 and conclude that there is a difference between PVR users and non-PVR users with regards to recognition of brands at the 5% significance level. To this end, the column chart below (figure 14) reveals that 16% more non-users recognise brands being advertised than PVR users. However, over 70% of both groups claim that they recognise the brands being advertised.

Figure 14: Recognition of brands advertised between PVR users and non-users



CONCLUDING REMARKS

South African PVR users appear similar to their counterparts in the US and UK with respect to their motivation behind PVR use. Within all three countries, it was found that the two primary reasons behind PVR use are the desire to have control over their television viewing (including 'zapping' advertisements), and the desire to watch what they want, when they want. Respondents report that this means that television viewing has become a more enjoyable experience. Nine out of ten respondents were at least "satisfied" with the technology and would be likely to recommend it to a friend.

The study found that PVR users in South Africa believe that their television viewing habits have changed substantially as a result of PVR. A considerable amount of time shifting appears to be occurring. There are, however, notable exceptions such as news bulletins and soap operas. Additionally, the study found that all respondents fast-forward through adverts at least "sometimes" with the majority fast-forwarding "always". Furthermore, the majority of people said that they fast-forward through the adverts at the fastest speed, which may further hamper advertisers' ability to gain the attention of viewers. However, while a substantial number of people said that they did this because they dislike adverts or are not interested in them; many people said that they merely want to save time, which suggests that television advertising may still have a future. Indeed adverts that were seen to be humorous, clever or interesting have been found to be the adverts most likely to be stopped or rewound by people fast-forwarding through adverts.

Although it was found that PVR does hamper advertising awareness when compared to normal viewing, the level of brand recognition in general remains high whilst fast-forwarding. Therefore, PVR may not have such a negative effect on TV advertising. However, this is dependent on what the advertisement is meant to achieve – a deeper message may be lost if the advert is zapped. New products and brands are therefore under more of a threat as respondents are not able to recognize them immediately.

However, there are certain strategies that TV advertisers can adopt to ensure that their television adverts are able to gain the attention of PVR users. For example, adverts can be placed immediately before or after the programme being watched as it was found that viewers are more likely to see them then. The brand logo should also be positioned in the middle of the screen and for a longer period of time, as this aids in the recognition of such. More humorous adverts should be produced as this induces viewers to play them at normal speed. The use of simultaneous advertising, product placement and teaser campaigns should also be considered as these types of advertising were found to be effective in gaining the attention of viewers.

Additionally, advertisers should ensure that new adverts are first aired on programmes that are likely to be seen live, such as news or sporting events, so that people are able to recognise them at a later stage when they are fast-forwarding through the adverts.

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Determining the relationship between job satisfaction and customer service levels at a small retailer in South Africa

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ABSTRACT

Customer service is an integral part of doing business today. Customer service providers must have adequate preparation to interact effectively with the customer. The preparation is a result of a commitment to increase understanding of the customer service industry, the knowledge of current trends, the ability to interpret those trends and the development of the fundamental skills necessary to achieve excellence. The aim of this is to analyse perceptions of job satisfaction levels at a small retailer in South Africa and establish whether there is a relationship between job satisfaction and customer service levels.

It is evident from the research that the majority of respondents 43 percent strongly disagree with the statement that employee attitude is commendable, a view that is disputed by management. Management is of the impression that it is doing enough to address customer satisfaction problems. The research also established that the customer's perception is that there is little empowerment to the frontline staff. The leadership is perceived as management style, which do not allow for people empowerment with the majority of 52 percent strongly disagreeing that employees are empowered to make decisions. 5 percent were non-committal whilst the next larger group had not observed any employee empowerment. The research established that a lot of investment has been made into upgrading the systems leading to better quality of service as compared to other utilities.

The research conducted, confirmed that training, motivation and empowerment are an essential component of high work because an organization's success relies on front line employees' skill an initiative to identify and resolve problems, to initiate changes in work methods, and to take responsibility for quality customer service.

The research confirmed that there is a relationship between job satisfaction and customer service levels. It is therefore, important to motivate, reward and empower its employees to provide an environment in which employees are happy to work in and feel they are appreciated and have room to contribute.

Keywords – Job satisfaction, customer service, small retailers, customer's perception, motivation, empowerment

Customer service is an integral part of doing business today. Customer service providers must have adequate preparation to interact effectively with their customers. The preparation is a result of a commitment to increase understanding of the customer service industry, the knowledge of current trends, the ability to interpret those trends and the development of the fundamental skills necessary to achieve excellence (Harris 1996).

The aim of this is to analyse perceptions of job satisfaction levels at a small retailer in South Africa and establish whether there is a relationship between job satisfaction and customer service levels. Two types of customers are identified, external and internal customers. The former type of customers is the paying customer who comes to your company from outside. They respond to your business by arriving at your doorstep, telephone line, or mailbox ready to exchange their money for your goods and services. On the other hand, internal customers are people who work in your organization and do business with each other –the employees of the company. This idea of referring to employees of the company as internal customers gives co-workers a sense of responsibility in the customer process, argues Harris (2003). This research will concentrate on the latter type of customers as a focus of study. To further clarify the concept of the internal customers, Albrecht (2004) argues that to the people who work in the patrol department, the entire company is their customer, the man who delivers the interoffice mail has a whole room full of customers; the woman who answers the telephone order lines is served by the company's operations department, the billing centre and the creators of the mail order catalogues. Employee's feeling about their jobs is contingent on the nature of the work but also on the background, values and needs that they bring to the job. Whether employees are satisfied with a given job thus depends to some extend on what they hope to get out of it.

AIMS AND OBJECTIVES

The aim of this is to analyse perceptions of job satisfaction levels at a small retailer in South Africa and establish whether there is a relationship between job satisfaction and motivation. Deregulation and commercialization brought with it fierce competition and a plunge of the rail freight market share. Change was inevitable in order for the retail giant to survive and compete effectively in the retail industry.
The objectives of this article are to:

- Gather perceptions on levels of job satisfaction
- Analyse the levels of customer satisfaction.

To attain the objective of this article, the following hypothesis was formulated.

H_1 There is a relationship between job satisfaction and customer levels.

RESEARCH METHODOLOGY

The data was sourced from two populations, namely:

- 57 Employees and
- 100 Customers

The researchers used questionnaires for both populations and asked the questions face-to-face, because the population will be selected by name, and it is small enough for the researchers to administer the interviews. The main construct of this study (customer) service was measured through the use of Likert-type scales as opposed to the demographic variables, like respondent income and age, whose questions delivered only nominal data.

The basic scale design therefore consisted of a Likert-type scale with five scale points (with labels ranging from strongly agree to strongly disagree) and 11 scale items. This scale was found to be highly reliable with a Cronbach's Alpha of 0.7. The constructs measuring cherry picking behaviour as price searching across time and price searching across stores were measured using similar scales with five scale items. These two scales were also found to be reliable. No items on any of these scales were reverse scored.

In this study the researchers want not only describe the sample data such as means, standard deviation and proportions but they wish to make inferences about the population based on what was observed in the sample. The dataset is further augmented by customer service levels and job satisfaction. Therefore the following null and alternative hypotheses were formulated:

H_{01} $\mu 1= \mu 2$
H_{A1}: $\mu 1\neq \mu 2$

LITERATURE REVIEW

Job satisfaction is a complex concept, which can mean a variety of things to different people. Mullins (2004) defines it as a more of an attitude, an internal state. It could for example, be associated with a personal feeling of achievement either quantitative or qualitative.

Although most people are satisfied with their jobs overall, they are not necessarily happy with all aspects of their jobs. People certainly have a feeling about different aspects of their jobs, such as co-workers, pay, the nature of work and supervismy level thus job satisfaction refers to people's feelings about the different aspects of their job. As the revenue stream is sourced from customers, this makes them potentially the most important strategic stakeholders. The volatility of revenue levels is driven by customer demand, reflecting business cycles, which requires an understanding of customers and the nature of their situations. **It** is therefore of great importance to build a relationship with your customers since they are the users of the sevice or product you make, and their needs are varied and forever changing. Setvices are a rapidly growing and increasingly impmtant patt of today's economy. Since services are customer-driven, pleasing the customer is more impmtant than ever.

ANALYSIS AND INTERPRETATION OF RESULTS

Customer factors

The questionnaire was divided into four themes that is employee attitude towrurds the retailer, employee skills displayed in customer sevice, employee empowerment, and comparison with other utility provide ·s in the countly.

Employee's attitude

Positive employee attitude is impmtant for any business as su·essed by Freemantle (2004). As a result, they have to be empowered to work independently. As the manager wants his /her setvice provider to be the customer's best friend regarding customer sevices matters, the manager must also be the employee's best friend. The responses are summru·ised in figure 1.

From the results presented in figure 1, it is evident that the majority of respondents, 44 percent su·ongly disagree with the statement that employee attitude is commendable. In the opinion of the researcher, this can be attributed to the fact that management is doing little to encourage the development of inte ·nal commitment. 20 percent are non-committal as to whether employee attitude is commendable or not, while 27 percent agree that employee attitude is commendable.

For clru·ity on employee attitude towards the company, question Al, the four statements shown below were posed and the customer responses are displayed in table 2

Figure 1: Employee attitude

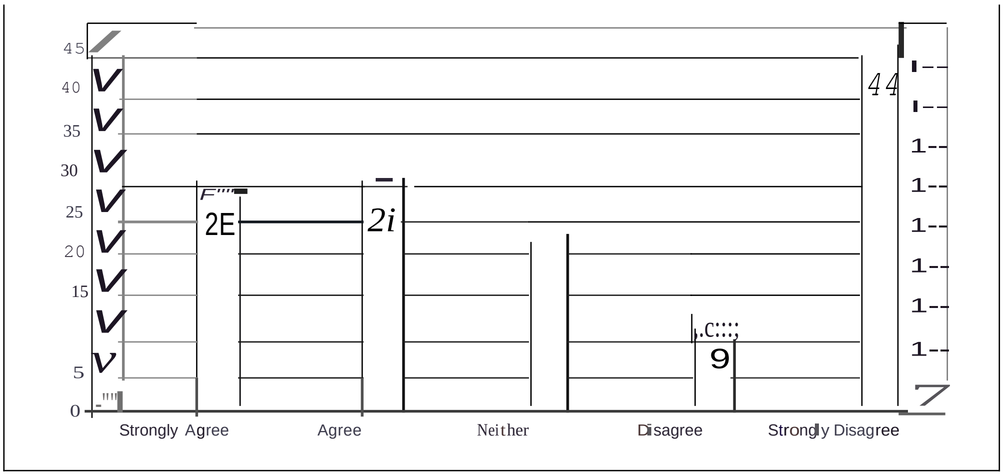


Table 2: Customer service provider's attitude

STATEMENT Employees...	Strongly. Agree	Agree	Neither	Disagree	Strongly Disagree
A1.1. feel satisfied working in this department	26	27	16	9	22
A1.2...feel committed to the department's objectives	19	24	19	16	22
A1.3...feel their supervisors are concerned about them and how they do the work	13	15	20	15	37
A1.4...feel recognised and supported by management	9	11	17	19	44

From table 2, it can be suggested that the concept that internal quality of a working environment contributes most to employee satisfaction is unknown concept. The high percentages of disagreement bear testimony. Heskett et al (1997) argue that internal quality is measured by the feelings that employees have towards their jobs, colleagues, and the company itself. Internal quality is also characterised by the attitudes that employees have towards one another and the way they serve each other inside the company. It will be interesting to see how the same customers perceive employee skills, which follow in the next section.

Employee skills displayed in customer service delivery

The importance of employee skills cannot be overemphasised as employees can hardly be expected to operate the latest technology equipment without equipping them with the necessary skills. Question A2 solicited customer perception of employee skills in customer service delivery.

The majority of respondents, 44 percent strongly disagree that employee skills are commendable, while 26 percent were non-committal probably because most of the respondents are newly employed who have yet to develop skills for the job. 32 percent of the respondents agreed that employee skills are commendable. This can be attributed to the fact that some of the respondents are with the company for longer period of time and have developed a sense of love and security with the company.

To extract from the customer enough information about employee skills, five concise questions were asked. The results are shown in table 3.

Table 3 shows an agreement that there is a relationship between customer service and job satisfaction. To attain the objective of this article, the following hypothesis was formulated.

H_1 There is a relationship between job satisfaction and customer service levels.

The response of the hypothesis is shown in table 2.

Table 3: Customer service level and job satisfaction

STATEMENT Employees....	Strongly Agree	Agree	Neither	Disagree	Strongly Disagree
A2.1. has clear sense of the roles and their overall purpose	20	13	26	14	27
A2.2. are given the tools and equipment that they need to perform their job	32	28	5	19	16
A2.3. are given praise and thanks for a job well done	8	22	8	19	16
A2.4. are regularly provided with coaching to improve performance	7	17	13	9	18
A2.5. feel recognised and supported in their daily work	9	13	17	17	43

Table 4 shows that the Pearson correlation indicates a perfect correlation of **1** at a significant level of 0.05 2-tailed. When conducting the z-test, HOI was rejected thus accepting Ha**1**. Therefore, by accepting Ha**1,** one may conclude that there is a significant conelation between job satisfaction and customer service levels.

Employee empowerment to serve customers

Customer service providers are continuously faced with customer situations that are unique to the customer and that are somewhat beyond the boundaries of existing policies. Therefore, empowerment is nothing else, but making someone else takes the risk and responsibility. The second type of empowerment is the internal commitment that occurs when employees are committed to a particular project or program for their own individual reasons or motivation. The customers were given four statements pertaining to employee empowerment to respond to. The responses are summarised in figure 3.

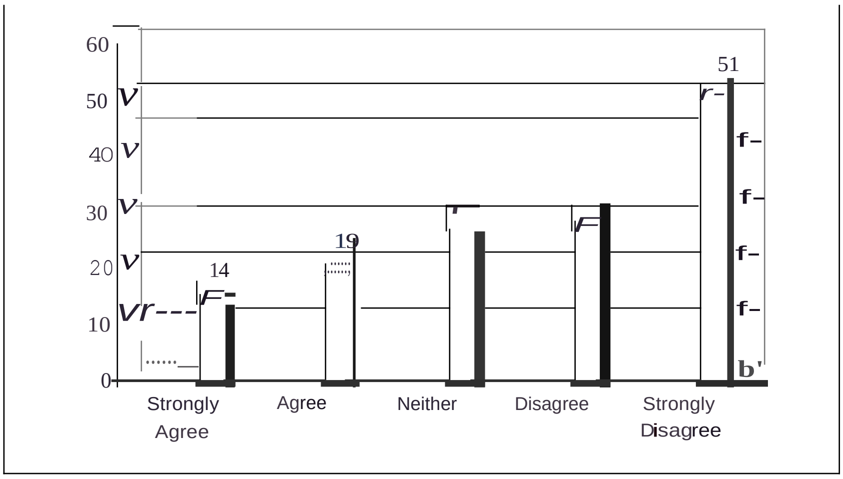
As indicated in figure 3, the majority of respondents 51 percent, strongly disagree that management is empowering customer services providers. This is probably because management has no trust in employees of not having the necessary skills and capabilities in performing their duties without any supervision. In the researcher's opinion, this was caused by the rigid and bureaucratic systems typical of government machinety.

Management must empower employees through accompanying high performance expectations with expressions of confidence, foster the opportunities for employees to participate in decision-making and provide autonomy from organisational restraint. In order to gather more accurate information on employee empowerment to serve customers, four questions relating to this theme were asked.

Table 4 **The** Pearson Correlation

		(STORE IN 05) is conveniently location	total customer service to job satisfaction
Oob satisfaction 05)	Pearson Correlation		.073
	Sig. (2-tailed)		.348
	N	167	166
total: job satisfaction to customer service	Pearson Correlation	.073	
	Sig. (2-tailed)	.348	
	N	166	175

Figure 3: Employee empowerment



SIGNIFICANCE OF THE CASE STUDY

The significance of this case study is that it reveals to management the importance of customer service in maintaining a competitive advantage. It is therefore imperative to formulate a customer service statement. A customer service statement forms an integral part of the customer service strategy. The link between job satisfaction and customer service levels shows that satisfied employees promote healthy customer service.

RECOMMENDATIONS

The reasons for the recommendations are given, mainly from the cited literature review, and also how management could go about to achieve the recommendations. The recommendations served to encourage the management to further develop and empower its employees in order to motivate them, thereby improving their productivity level, which is of strategic significant to the orgainsation's competitive position. Improving employee motivation and involvement will introduce a culture of learning and service quality within the organisation, which will lead to high levels of customer service. Factors which need to be looked at are as follows:

Employee attitude

Management is advised to improve employee attitude. As the literature review insists, sins of a defective support system such as the rail utility's inefficiencies and unreliable railway system can be forgiven by a customer after sensitive and courteous handling by an employee with a positive attitude such as a warm smile, a sensitive glance, a welcome piece of unsolicited information, or a thank you. Employee's attitude can be improved by improving the employee's working conditions, rewards, training and development. These factors will be discussed briefly in the next sections.

Customer service level and job satisfaction

Customer service level and job satisfaction is vital to any organisation because, as the literature review has shown, it is a means to make every employee more valuable to the enterprise by extending his skills and knowledge, modifying his attitudes towards his job and adjusting his patterns of behaviour in the organisation. A survey should be done to determine what it is that employees do not understand and how it can be improved. It is very likely that employees have trouble with implementing strategies or are unsure about what the boundaries are for entertaining or servicing customers. Social training, which focuses on the interpersonal values, attitudes and techniques needed to render good service, should also form part of the training program. Furthermore, training and development serve as a dual purpose in the sense that it helps management meet its human resources requirements, while at the same time increasing the market value of those being trained. This translates to higher motivational levels.

Empowerment

Research has shown that Customer Services employees feel generally that they cannot solve their immediate problems and are not at power to make decisions to satisfy customer needs. Management list the lack of empowerment as an internal constraint to satisfy customer service and Customer Services service providers find the red tape frustrating. Therefore, Customer Services management must make empowerment more than just a management fad or buzzword. Give the people the authority and associated responsibilities to make decisions considered to be in the organisation's best interest. But empowerment does not mean that mangers can abrogate responsibility.

CONCLUSION

In conclusion, there is no doubt that employee job satisfaction is a necessity for customer service satisfaction. The strategies for obtaining job satisfaction, empowerment, self-respect, self-reliance are important for management. Employees must be provided with training, information and other support designed to allow them to use their judgment in responding to customer complaints. Lastly the research indicated that there is a significant relationship between job satisfaction and customer service levels.

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Data mining techniques in CRM:
Inside customer segmentation

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BOOK REVIEW

Tsiptsis, K. & Chorianopoulos, A. 2009. *Data mining techniques in CRM: Inside customer segmentation.* New York: John Wiley & Sons.

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The increased access to large data bases containing information on customer transactions and characteristics offers a major opportunity for marketers. It is possible to explore these data and discover customer buying pattenlS and use this information to make effective marketing decisions. This book presents an ovelview of the methods that are used in the data mining process. The work is positioned as offering a reasonably comprehensive ove view of the topic for the non-specialist. The mathematical requirements are a knowledge of basic statistics. The bulk of the text presents analytical techniques in clear prose with a minimum of equations.

The first chapter examines the role of data mining in CRM with an ovelview of predictive and unsupelvised models and the contribution that data mining can make in market segmentation and direct marketing. It includes a section on the steps that a successful data mining project should follow.

Chapter two contains a discussion of the major types of predictive modeling techniques such as regression analysis and a detailed discussion on decision trees for classification purposes. This is quite useful as decision trees are relatively new and not widely used as their powe· and flexibility are not completely appreciated The chapte· also presents unsupevised modeling techniques such as the major methods for cluste· analysis which are useful for discove·ing cluste·s of customers and, hopefully, market segments. The remaining material conce·ns methods for discovering event sequences.

Chapte· three deals with data mining techniques useful for market segmentation. The presentation is detailed and builds on the analysis of a telecom database using a commercial data mining package(IBM SPSS Modeler application). The authors use 3 different cluste·ing methods and compare the results. This is followed by the use of decision trees in order to learn about the demographic profile of the the cluste·s that have been derived. The entire presentation includes a series of usefill illustrations.

Chapte·four is a major strength of the book as the contents deal with the task of creating the mining data mart This is the fiamework for the various types of data necessa1y for conducting data mining projects on a recurring basis in a firm. The organization of data is a critical first step in data mining and the process is rarely discussed in an analytical text.

Chapte· 5 deals with segmentation and assumes little prior exposure to the topic. The authors discuss the advantages of segmentation and the major types of segmentation in consumer and business markets. They then present the steps of a segmentation project along with an appropriate set of data mining techniques. The presentation is quite clear and has a useful set of illustrations.

The three remaining chapters are detailed case studies of segmentation in banking, telecommunications and retailing. The book's website(Insidedatamining.Com) offers sample chapters and downloadable Excel data sets. The book uses IBM SPSS Modeler for all the data mining examples. Most of these analyses could be produced by applications such as SAS Enterprise Miner, Statistica Data Miner or Rapidminer.

The text succeeds in offering a good introduction to data mining and market segmentation for almost any reader.

Marketing Research

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BOOK REVIEW

Berndt, A and Petzer, D (eds). 2011. *Marketing Research.* Cape Town: Heinemann.

Research is important because it contributes to knowledge generation, which benefits a nation's wealth creation ability. Furthermore, in a marketing context it will ensure that the organisation provides the products and sevices that their customers desire, at a reasonable return for their shareholders and satisfaction to their community. This should ultimately lead to satisfied stakeholders. Marketing Research, edited by Adele Berndt and Danie Petzer (2011) is a peer reviewed marketing research text which is published by Heinemann.

The book commences with the research process and immediately links research to marketing strategy. As such, it demonstrates the connection between research and the customer. It also highlights the responsibility of the organisation to balance customer needs with economic realities, which affect all stakeholders over the long term.

The research process forms the basis of the book. It shows how different authors present this process differently. However, these steps are generic and address specific issues to ensure sound research. Each of these steps is elaborated on in ensuing chapters. Early on the importance of the research problem is highlighted This should assist the marketing researchers to start off their project at a sound footing. The link between the research objectives and the problem investigated is also neatly addressed. So is the appropriate research design to investigate the problem. The latter is elaborated on in the next chapter. This chapter also indicates the difference between qualitative and quantitative research, which receive due attention in later chapters. A chapter on online research and international research ensures that this book covers the latest trend in marketing research ensuring that the organisation remains relevant.

The inclusion of a central case, which is referred to throughout the book and which forms a golden thread, provides a practical perspective, making the literature accessible to the target audience. Furthermore, practical exercises are included to allow the reader to apply their newly acquired learning, which aid transfer of learning, which should equate to success in practice. Reflective exercises used should also foster transfer of learning.

This book is well presented and contains useful information for particularly the marketing professional, academic or scholar. In applying the knowledge acquired in this text should facilitate the rigour of marketing research, whether in South Africa or globally.